



**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2003**



**Auditor of State  
Betty Montgomery**



LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY

FOR THE YEAR ENDED JUNE 30, 2003

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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 general-purpose financial statements of the Lake County Educational Service Center, Lake County, Ohio, (the Service Center) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Service Center's management. Our responsibility is to express an opinion on these general-purpose 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lake County Educational Service Center, Lake County, Ohio as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the accompanying financial statements the Service Center restated the General and Special Revenue Fund balances and Internal Service Fund retained earnings as of June 30, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2005, on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

We conducted our audit to opine on the financial statements that collectively comprise the Service Center's financial statements. The federal awards 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 financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

May 5, 2005

**LAKE COUNTY EDUCATIONAL SERVICE CENTER - LAKE COUNTY**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2003**

**ASSETS AND OTHER DEBITS:**

	Governmental Fund Types			Proprietary Fund Type Internal Service	Fiduciary Fund Type Trust and Agency Fund	Account Group			Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects			General Fixed Assets	Long-term Debt	Totals		
								General		Long-term Debt
Assets:										
Equity in pooled cash and investments	\$ 93,607	\$ 383,364	\$ 140,749	\$ 188,443	\$ 2,251	\$ -	\$ -	\$ -	\$ 808,414	
Cash with fiscal agent	-	-	-	210,697	-	-	-	-	210,697	
Receivables:										
Taxes	-	-	-	-	5,412,811	-	-	-	5,412,811	
Intergovernmental	2,089,099	-	-	-	36,171	-	-	-	2,125,270	
Due from other funds	19,849	-	-	-	-	-	-	-	19,849	
Fixed assets	-	-	-	-	-	347,318	-	-	347,318	
Other Debits:										
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	52,873	-	52,873	
Total assets and other debits	\$ 2,202,555	\$ 383,364	\$ 140,749	\$ 399,140	\$ 5,451,233	\$ 347,318	\$ 52,873	\$ 8,977,232		

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

**LAKE COUNTY EDUCATIONAL SERVICE CENTER - LAKE COUNTY  
 COMBINED BALANCE SHEET (CONTINUED)  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2003**

	Governmental Fund Types			Proprietary	Fiduciary	Account Group			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Fund Type	Trust and	General	Long-term Debt		
				Internal Service	Agency Fund				
\$ 27,348	\$ 23,894	\$ -	\$ 34,148	\$ -	\$ -	\$ -	\$ -	\$ 85,390	
-	-	-	-	5,450,599	-	-	-	5,450,599	
-	19,849	-	-	-	-	-	-	19,849	
523,945	100,532	-	-	-	-	33,494	-	657,971	
-	-	-	97,499	-	-	-	-	97,499	
-	-	-	-	-	-	16,360	-	16,360	
-	-	-	-	-	-	3,019	-	3,019	
<u>551,293</u>	<u>144,275</u>	<u>-</u>	<u>131,647</u>	<u>5,450,599</u>	<u>-</u>	<u>52,873</u>	<u>-</u>	<u>6,330,687</u>	
-	-	-	-	-	347,318	-	-	347,318	
-	-	-	267,493	-	-	-	-	267,493	
65,726	61,708	115,184	-	-	-	-	-	242,618	
1,585,536	177,381	25,565	-	634	-	-	-	1,789,116	
<u>1,651,262</u>	<u>239,089</u>	<u>140,749</u>	<u>267,493</u>	<u>634</u>	<u>347,318</u>	<u>-</u>	<u>-</u>	<u>2,646,545</u>	
<u>\$ 2,202,555</u>	<u>\$ 383,364</u>	<u>\$ 140,749</u>	<u>\$ 399,140</u>	<u>\$ 5,451,233</u>	<u>\$ 347,318</u>	<u>\$ 52,873</u>	<u>\$ 8,977,232</u>		

**LIABILITIES, FUND EQUITY AND  
 OTHER CREDITS:**

Liabilities:  
 Accounts payable  
 Intergovernmental payable  
 Due to other funds  
 Accrued wages and benefits  
 Claims payable  
 Compensated absences payable  
 Capital lease obligations  
 Total liabilities

Fund Equity and Other Credits:  
 Investment in general fixed assets  
 Retained earnings  
 Fund balances:  
 Reserved for encumbrances  
 Unreserved, undesignated  
 Total fund equity and other credits

Total liabilities, fund equity and other credits

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



**LAKE COUNTY EDUCATIONAL SERVICE CENTER - LAKE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)
<b>REVENUES:</b>					
Revenue from local sources:					
Tuition	\$ 1,666,131	\$ 6,887	\$ -	\$ -	\$ 1,673,018
Earnings on investments	8,967	505	-	-	9,472
Revenue from state sources:					
Unrestricted grants-in-aid	2,642,947	-	-	-	2,642,947
Restricted grants-in-aid	363,248	547,903	123,642	-	1,034,793
Revenue from federal sources:					
Restricted grants-in-aid	-	1,005,216	-	-	1,005,216
Charges for Services	2,186,590	-	-	-	2,186,590
Miscellaneous	-	23,590	20,461	634	44,685
Total revenue	<u>6,867,883</u>	<u>1,584,101</u>	<u>144,103</u>	<u>634</u>	<u>8,596,721</u>
<b>EXPENDITURES:</b>					
Instruction:					
Regular	54,054	489,429	190,555	-	734,038
Special	1,277,649	267	-	-	1,277,916
Vocational education	190,720	20,568	-	-	211,288
Supporting services:					
Pupils	1,449,693	73,858	-	-	1,523,551
Instructional staff	1,201,708	227,727	4,831	-	1,434,266
Board of Education	39,231	-	-	-	39,231
Administration	1,073,203	779,640	-	-	1,852,843
Fiscal services	209,242	3,000	-	-	212,242
Operation and maintenance - plant	257,221	28,138	-	-	285,359
Pupil transportation	2,910	13,063	-	-	15,973
Central	189,594	769	-	-	190,363
Operation of non-instructional services:					
Sports oriented activities	-	15,026	-	-	15,026
Total expenditures	<u>5,945,225</u>	<u>1,651,485</u>	<u>195,386</u>	<u>-</u>	<u>7,792,096</u>
Excess (deficiency) of revenues over (under) expenditures	<u>922,658</u>	<u>(67,384)</u>	<u>(51,283)</u>	<u>634</u>	<u>804,625</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Refund of prior year expenditures (revenues)	1,082	-	-	-	1,082
Total other financing sources (uses)	<u>1,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,082</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	923,740	(67,384)	(51,283)	634	805,707
<b>BEGINNING FUND BALANCE AS RESTATED (SEE FOOTNOTE 3)</b>	<u>727,522</u>	<u>306,473</u>	<u>192,032</u>	<u>-</u>	<u>1,226,027</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 1,651,262</u>	<u>\$ 239,089</u>	<u>\$ 140,749</u>	<u>\$ 634</u>	<u>\$ 2,031,734</u>

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

**LAKE COUNTY EDUCATIONAL SERVICE CENTER - LAKE COUNTY  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003**

	General Fund			Special Revenue Fund			Capital Projects Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>												
Tuition	\$ 911,890	\$ 890,700	\$ (21,190)	\$ 6,887	\$ 6,887	\$ -	\$ -	\$ -	\$ -	\$ 918,777	\$ 897,587	\$ (21,190)
Earnings on investments	12,850	8,967	(3,883)	600	505	(95)	-	-	-	13,450	9,472	(3,978)
Revenue from local sources	2,236,641	1,812,541	(424,100)	-	-	-	-	-	-	2,236,641	1,812,541	(424,100)
Miscellaneous	-	-	-	-	-	-	-	-	-	25,402	25,402	-
Extracurricular activities	-	-	-	4,941	4,941	-	20,461	20,461	-	5,527	5,527	-
Revenue from intermediate sources - restricted	70,000	69,505	(495)	173,353	134,853	(38,500)	2,740	2,740	-	246,093	207,098	(38,995)
Revenue from state sources - unrestricted	2,605,751	2,642,947	37,196	-	-	-	-	-	-	2,605,751	2,642,947	37,196
Revenue from federal sources - restricted	293,743	293,743	-	448,197	448,197	-	120,902	120,902	-	862,842	862,842	-
Revenue from federal sources - unrestricted	-	-	-	1,017,716	1,005,216	(12,500)	-	-	-	1,017,716	1,005,216	(12,500)
<b>Total revenues</b>	<b>6,130,875</b>	<b>5,718,403</b>	<b>(412,472)</b>	<b>1,657,221</b>	<b>1,606,126</b>	<b>(51,095)</b>	<b>144,103</b>	<b>144,103</b>	<b>-</b>	<b>7,932,799</b>	<b>7,488,632</b>	<b>(444,167)</b>
<b>EXPENDITURES</b>												
Current												
Instruction:												
Regular	66,147	66,147	-	481,991	476,071	(5,920)	247,408	193,738	53,670	795,546	735,956	(59,590)
Special	1,239,968	1,239,968	-	44,352	267	44,085	-	-	-	1,284,320	1,240,235	(44,085)
Vocational	194,096	194,096	-	21,585	20,787	798	-	-	-	215,681	214,883	(798)
Support services:												
Pupil	1,297,697	1,412,348	(114,651)	75,619	74,291	1,328	-	-	-	1,373,316	1,486,639	(113,323)
Instructional staff	1,181,952	1,181,952	-	499,117	321,517	177,600	112,602	112,602	-	1,793,671	1,616,071	177,600
Board of Education	40,320	40,320	-	8,000	8,000	-	-	-	-	48,320	48,320	-
Administration	1,070,676	1,070,676	-	821,464	747,382	74,082	-	-	-	1,892,140	1,818,058	74,082
Fiscal	209,774	209,774	-	11,950	3,000	8,950	-	-	-	221,724	212,774	8,950
Operation and maintenance of plant	260,619	260,619	-	32,383	27,960	4,423	4,899	4,899	-	297,901	293,478	4,423
Pupil transportation	14,990	14,990	-	12,813	12,813	-	-	-	-	27,803	27,803	-
Central	186,819	186,819	-	1,046	1,046	-	-	-	-	187,865	187,865	-
Non-instructional services:												
Food service	-	-	-	-	-	-	-	-	-	-	-	-
Extracurricular activities:												
Academic and subject-oriented activities	-	-	-	23,000	19,766	3,234	-	-	-	23,000	19,766	3,234
Sports oriented	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>5,763,058</b>	<b>5,877,709</b>	<b>(114,651)</b>	<b>2,033,320</b>	<b>1,712,900</b>	<b>320,420</b>	<b>364,909</b>	<b>311,239</b>	<b>53,670</b>	<b>8,161,287</b>	<b>7,901,848</b>	<b>259,439</b>
Excess (deficiency) of revenue over (under) expenditures	367,817	(159,306)	(527,123)	(376,099)	(106,774)	269,325	(220,806)	(167,136)	53,670	(229,088)	(433,216)	(204,128)
<b>OTHER FINANCING SOURCES (USES);</b>												
Advances in	6,814	1,580	(5,234)	-	-	-	-	-	-	6,814	1,580	(5,234)
Advances out	-	-	-	(1,580)	(1,580)	-	-	-	-	(1,580)	(1,580)	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Refund of prior year receipts	-	-	-	-	-	-	-	-	-	-	-	-
Refund of prior year expenditures	1,082	1,082	-	-	-	-	-	-	-	1,082	1,082	-
<b>Total other financing sources (uses)</b>	<b>7,896</b>	<b>2,662</b>	<b>(5,234)</b>	<b>(1,580)</b>	<b>(1,580)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,316</b>	<b>1,082</b>	<b>(5,234)</b>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other financing sources (uses)	375,713	(156,644)	(532,357)	(377,679)	(108,354)	269,325	(220,806)	(167,136)	53,670	(222,772)	(432,134)	(209,362)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>136,071</b>	<b>136,071</b>	<b>-</b>	<b>273,071</b>	<b>273,071</b>	<b>-</b>	<b>40,954</b>	<b>40,954</b>	<b>-</b>	<b>450,096</b>	<b>450,096</b>	<b>-</b>
<b>PRIOR YEAR ENCUMBRANCES - APPROPRIATED</b>	<b>47,617</b>	<b>47,617</b>	<b>-</b>	<b>151,976</b>	<b>151,976</b>	<b>-</b>	<b>151,747</b>	<b>151,747</b>	<b>-</b>	<b>351,340</b>	<b>351,340</b>	<b>-</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 559,401</b>	<b>\$ 27,044</b>	<b>\$ (532,357)</b>	<b>\$ 47,368</b>	<b>\$ 316,693</b>	<b>\$ 269,325</b>	<b>\$ (28,105)</b>	<b>\$ 25,565</b>	<b>\$ 53,670</b>	<b>\$ 578,664</b>	<b>\$ 369,302</b>	<b>\$ (209,362)</b>

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

**LAKE COUNTY EDUCATIONAL SERVICE CENTER - LAKE COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2003**

	Internal Service Fund
<b>OPERATING REVENUES</b>	
Charges for services and materials	\$ 720,639
Extracurricular activities	96,349
Total operating revenue	816,988
<b>OPERATING EXPENSES</b>	
Purchased services	28,092
Operation and maintenance	10,591
Other operating expenses	600,928
Total operating expenses	639,611
Operating income	177,377
<b>BEGINNING RETAINED EARNINGS AS RESTATED (SEE FOOTNOTE 3)</b>	90,116
<b>ENDING RETAINED EARNINGS</b>	\$ 267,493

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

**LAKE COUNTY EDUCATIONAL SERVICE CENTER - LAKE COUNTY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2003**

	Internal Service Fund			Agency Fund			Expendable Trust Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>									
Taxes	\$ -	\$ -	-	\$ 5,011,673	\$ 5,008,623	\$(3,050)	\$ -	\$ -	\$ -
Charges for services and materials	660,904	660,904	-	-	-	-	-	-	-
Extracurricular activities	96,349	96,349	-	-	-	-	138	138	-
Total operating revenue	757,253	757,253	-	5,011,673	5,008,623	\$(3,050)	138	138	-
<b>OPERATING EXPENSES</b>									
Salaries and wages	250	250	-	-	-	-	-	-	-
Fringe benefits	497,070	542,426	(45,356)	-	-	-	-	-	-
Contractual services	66,260	66,260	-	350	350	-	-	-	-
Supplies and materials	17,365	17,365	-	-	-	-	-	-	-
Capital outlay	10,591	10,591	-	-	-	-	-	-	-
Miscellaneous	45,511	45,511	-	6,685,845	6,684,228	1,617	-	-	-
Total operating expenses	637,047	682,403	(45,356)	6,686,195	6,684,578	1,617	-	-	-
Operating income (loss)	120,206	74,850	(45,356)	(1,674,522)	(1,675,955)	(1,433)	138	138	-
<b>NON-OPERATING REVENUES</b>									
Revenue from state sources - restricted	59,735	59,735	-	-	-	-	-	-	-
Revenue from state sources - unrestricted	-	-	-	1,677,024	1,677,024	-	-	-	-
Miscellaneous	-	-	-	-	-	-	496	496	-
Total non-operating revenue	59,735	59,735	-	1,677,024	1,677,024	-	496	496	-
<b>NON-OPERATING EXPENSES</b>									
Miscellaneous	3,248	3,248	-	-	-	-	-	-	-
Total non-operating expenses	3,248	3,248	-	-	-	-	-	-	-
Non-operating income (loss)	56,487	56,487	-	1,677,024	1,677,024	-	496	496	-
Excess of revenues over (under) expenses	176,693	131,337	(45,356)	2,502	1,069	(1,433)	634	634	-
<b>FUND EQUITY - BEGINNING OF YEAR</b>	6,502	6,502	-	548	548	-	-	-	-
<b>PRIOR YEAR ENCUMBRANCES - APPROPRIATED</b>	-	-	-	-	-	-	-	-	-
<b>FUND EQUITY - END OF YEAR</b>	\$ 183,195	\$ 137,839	\$(45,356)	\$ 3,050	\$ 1,617	\$(1,433)	\$ 634	\$ 634	\$ -

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

**LAKE COUNTY EDUCATIONAL SERVICE CENTER - LAKE COUNTY  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Operating income	<u>\$ 177,377</u>
<b>ADJUSTMENTS TO RECONCILE OPERATING GAIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Net increase in liabilities:	
Interfund payable	34,148
Claims Payable	<u>21,332</u>
Net increase in cash and cash equivalents	232,857
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR AS RESTATED (SEE FOOTNOTE 3)</b>	<u>166,283</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 399,140</u></u>

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

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**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003**

**1. DESCRIPTION OF THE DISTRICT**

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 Center.

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 105 certificated employees and 38 non-certificated employees.

**2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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 general-purpose 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 four organizations, two jointly governed organizations, one insurance purchasing pool and one claims servicing pool. These organizations are the Lake Geauga Computer Association, 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 general-purpose financial statements.

**B. BASIS OF PRESENTATION**

The accounting policies of the Center conform to generally accepted accounting principles (GAAP) as applicable to governments.

LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)

2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

The Center uses the following fund categories, fund types and account groups:

**Governmental Fund Types**

Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during a period.

**General Fund** - The general operating fund of the Center is used to account for all revenues and expenditures except those required to be accounted for in another fund.

**Special Revenue Funds** - Special revenue funds are used to account for revenue from specific sources (other than major capital projects) which require separate accounting because of legal restrictions requiring that expenditures be for specified purposes.

**Capital Projects Fund** – Capital projects fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**Proprietary Fund Types**

**Proprietary Funds** – Proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is based upon determination of net income, financial position and cash flows.

**Internal Service Funds** – Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

**Fiduciary Funds**

**Trust and Agency Funds** - The Trust and Agency Funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an Expendable Trust Fund and Agency Funds.

**Account Groups**

Account groups are used to establish accounting control and accountability for the Center's general long-term debt and general fixed asset account group.

**General Fixed Assets** - General fixed assets are used to account for capital assets used in general government operations with a useful life of greater than one year.

**General Long-Term Debt** - General long-term debt is used to account for all long-term obligations of the Center, except for those accounted for in Proprietary Funds. These obligations are secured by the credit of the Center as a whole and are payable from general government resources.



**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BASIS OF ACCOUNTING**

Governmental Fund Types are accounted for on the modified accrual basis of accounting. Governmental revenues are recognized when they become measurable and available to finance expenditures of the current period. Revenue items, which are susceptible to accrual and therefore are recorded as receivables, include property taxes, tuitions/excess cost, tuitions and reimbursable-type grants. Expenditures are recognized when the related fund liability is incurred, with the exception of accumulated unpaid employee compensation, which is not payable from current expendable financial resources.

Proprietary Fund Types are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. There was no unbilled service charges receivable at year end.

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 Center, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 4). Revenue from grants, entitlements and donations is recognized in the fiscal year for 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 Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the Center follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. BUDGETARY BASIS OF ACCOUNTING**

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 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.

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 prior fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

The Center's budgetary process accounts for certain transactions on a basis, which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is susceptible to accrual for GAAP purposes.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. BUDGETARY BASIS OF ACCOUNTING (CONTINUED)**

An analysis of the difference in fund balance for all governmental fund types at June 30, 2003 as determined under the GAAP basis and budget basis follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Internal Service Fund</u>	<u>Expendable Trust Fund</u>
GAAP basis - fund balance	\$ 1,651,262	\$ 239,089	\$ 140,749	\$ 267,493	\$ 634
Accrued revenue/prepaid expenses at June 30, 2003	(2,108,948)	--	--	(210,697)	--
Accrued expenditures/deferred revenue at June 30, 2003	551,293	144,275	--	131,648	--
Encumbrances outstanding at June 30, 2003 (budget basis)	<u>(66,565)</u>	<u>(66,674)</u>	<u>(115,184)</u>	<u>(50,605)</u>	<u>--</u>
Budget-basis fund balance	<u>\$ 27,042</u>	<u>\$ 316,690</u>	<u>\$ 25,565</u>	<u>\$ 137,839</u>	<u>\$ 634</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.

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, 2002 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 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 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 2002-2003.

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

**2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. BUDGETARY BASIS OF ACCOUNTING (CONTINUED)**

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. Encumbrances are reported as a reservation of fund balance in the Agency Fund.

**E. 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 investments" on the combined balance sheet.

During fiscal year 2003, investments were limited to STAR Ohio, the State Treasurer's Investment Pool, discounted commercial paper and mutual funds. 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.

The Center has invested funds in the State Treasury Assets Reserve (STAR Ohio) during fiscal year 2003. 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, 2003.

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 2003 amounted to \$ 8,967.

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

**2. DESCRIPTION OF REPORTING ENTITY, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. FIXED ASSETS AND DEPRECIATION**

**General Fixed Assets Account Group** - General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The Center follows the policy of not capitalizing assets with a cost of less than \$ 500 and a useful life of less than one year. No depreciation is recognized for assets in the General Fixed Assets Account Group.

**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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(CONTINUED)**

**3. RESTATEMENT**

During fiscal year 2003, the Center reclassified the health care self-insurance from the general fund to the internal service fund. The Center also reclassified the Financing District from the special revenue funds to the agency funds. The effects on assets, liabilities, and equity is noted below.

	General Fund	Special Revenue Funds	Agency Fund	Internal Service Fund
Cash as of June 30, 2002	\$ 183,687	\$ 425,593	\$ -	\$ 6,502
Prior period adjustment	-	(548)	548	-
Reclassified balance, June 30, 2002	<u>\$ 183,687</u>	<u>\$ 425,045</u>	<u>\$ 548</u>	<u>\$ 6,502</u>
Cash with fiscal agent as of June 30, 2002	\$ 159,781	\$ -	\$ -	\$ -
Prior period adjustment	(159,781)	-	-	159,781
Reclassified balance, June 30, 2002	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,781</u>
Taxes Receivable as of June 30, 2002	\$ -	\$ 5,256,572	\$ -	\$ -
Prior period adjustment	-	(5,256,572)	5,256,572	-
Reclassified balance, June 30, 2002	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,256,572</u>	<u>\$ -</u>
Intergovernmental receivable as of June 30,2002	\$ 939,619	\$ 70,099	\$ -	\$ -
Prior period adjustment	-	(34,952)	34,952	-
Reclassified balance, June 30, 2002	<u>\$ 939,619</u>	<u>\$ 35,147</u>	<u>\$ 34,952</u>	<u>\$ -</u>
Intergovernmental payable as of June 30, 2002	\$ -	\$ 5,291,524	\$ -	\$ -
Prior period adjustment	-	(5,291,524)	5,292,072	-
Reclassified balance, June 30, 2002	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,292,072</u>	<u>\$ -</u>
Claims Payable as of June 30, 2002	\$ 76,167	\$ -	\$ -	\$ -
Prior period adjustment	(76,167)	-	-	76,167
Reclassified balance, June 30, 2002	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,167</u>
Fund equity as of June 30, 2002	\$ 811,136	\$ 307,021	\$ -	\$ 6,502
Prior period adjustment	(83,614)	(548)	-	83,614
Reclassified balance, June 30, 2002	<u>\$ 727,522</u>	<u>\$ 306,473</u>	<u>\$ -</u>	<u>\$ 90,116</u>

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

**4. 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)**

**4. 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, 2003, the Center's internal service fund had a balance of \$ 210,697 with Lake County Council of Governments Health Care Benefits Program, a claims servicing pool (See Note 13). 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, the Mentor Exempted Village School District. To obtain financial information, write to the Treasurer, Mentor Exempted Village School District, 6451 Center Street, Mentor, Ohio 44060. During 2004, the Lake County Educational Service Center became the fiscal agent for the Plan.

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 \$185,350 and the bank balance was \$96,964. 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, 2003 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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**4. EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)**

	<u>Carrying Value</u>	<u>Fair Value</u>
Centennial Government Trust	\$ 76,987	\$ 76,987
STAR Ohio	<u>546,077</u>	<u>546,077</u>
	<u>\$ 623,064</u>	<u>\$ 623,064</u>

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

**5. 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.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2003. The receivable is offset by a liability to Member Districts.

**6. FIXED ASSETS**

A summary of changes in the General Fixed Assets Account Group is as follows:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2003</u>
Furniture and equipment	\$ 261,757	\$ 67,830	\$ (5,700)	\$ 323,887
Vehicles	19,049	--	--	19,049
Equipment under capital lease	<u>22,791</u>	<u>--</u>	<u>(18,409)</u>	<u>4,382</u>
Total	<u>\$ 303,597</u>	<u>\$ 67,830</u>	<u>\$ (24,109)</u>	<u>\$ 347,318</u>

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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**7. 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 meet 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, 2003:

<u>Year Ending June 30</u>	<u>Amount</u>
2004	1,041
2005	1,041
2006	1,041
2007	<u>260</u>
Total payments	3,383
Less: amount representing interest	<u>364</u>
Present value of minimum lease payments	<u>\$ 3,019</u>

**8. CHANGE IN GENERAL LONG-TERM DEBT ACCOUNT GROUP**

During the year ended June 30, 2003, the following changes occurred in liabilities reported in the General Long-Term Debt Account Group. Compensated absences will be paid from the fund from which the employee is paid.

	Balance at July 1, <u>2002</u>	Increase/ (Decrease)	Balance at June 30, <u>2003</u>
Compensated absences payable	\$ 38,217	\$ (21,857)	\$ 16,360
Accrued wages and benefits	19,118	14,376	33,494
General obligation debt:			
Capital lease	<u>12,433</u>	<u>(9,414)</u>	<u>3,019</u>
Total	<u>\$ 69,768</u>	<u>\$ ( 16,895)</u>	<u>\$ 52,873</u>

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
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**9. 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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

**10. 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.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 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, 2003, 2002 and 2001 were \$126,340, \$99,057 and \$79,942, respectively; 100 percent has been contributed for fiscal years 2003, 2002 and 2001.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**10. DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**State Teachers Retirement System** - The District 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, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 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, 2003, 2002 and 2001 were \$ 449,348, \$ 304,914 and \$ 262,481 respectively; 100 percent has been contributed for fiscal years 2003, 2002 and 2001.

Contributions to the DC and Combined Plans for fiscal years 2003 and 2002 were \$13,447 and \$2,602 made by the Center and \$23,865 and \$11,833 made by the plan members, respectively.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**11. 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, 2003, 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 \$34,565 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 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, 2003, employer contributions to fund health care benefits were 5.83 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 2003, the minimum pay was established at \$14,500. For the Center, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$52,230.

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, 2003 were \$ 204,930,737 and the target level was \$274.4 million. At June 30, 2003, SERS had net assets available for payment to health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**12. 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 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 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, 2003.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**13. 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 district 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, 8140 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 district is limited to its representation on the Board. In fiscal year 2003, 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.

**14. 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.

**15. 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.

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.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

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

**17. 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.

**18. RISK MANAGEMENT**

The Center has elected to provide medical coverage through a self-insured program. The Center uses the internal service fund to account for and finance its uninsured risks of loss in this program. The claims are serviced through the Lake County Council of Governments Health Care Benefits Program. The Lake County Council of Governments Health Care Benefits Program has stop loss coverage of 110% of expected claims. The claims liability of \$97,499 reported in the internal service fund at June 30, 2003 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount was:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$ 76,167	\$ 563,758	\$ 542,426	\$ 97,499
2002	\$ 67,092	\$ 387,706	\$ 378,631	\$ 76,167

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**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY**

**Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2003**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Disbursements
<b>U. S. Department of Education</b>				
<i>Passed Through the Ohio Department of Education</i>				
Special Education Cluster:				
Special Education Grants to States		84.027	90,118	90,118
	047860 6B-SI 03		853,118	708,413
			43,230	0
			18,750	2,238
Total CFDA # 84.027			1,005,216	800,769
Safe and Drug Free Schools		84.184	5,903	5,210
Total CFDA # 84.184			5,903	5,210
Educate America - Title III		84.010	0	2,712
Total CFDA # 84.010			0	2,712
Medicaid Reimbursement		93.778	293,743	43,282
Total CFDA # 84.186			293,743	43,282
Total U.S. Department of Education			1,304,862	851,973
<b>Total Federal Assistance</b>			1,304,862	851,973

The accompanying notes are an integral part of the schedule of federal awards expenditures.

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY  
FISCAL YEAR ENDED JUNE 30, 2003**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the Service Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B -- MATCHING REQUIREMENTS**

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



**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 Lake County Educational Service Center, Lake County, Ohio (the Service Center) as of and for the year ended June 30, 2003, and have issued our report thereon dated May 5, 2005, where in we reported the Service Center restated the General and Special Revenue Fund balances and Internal Service Fund retained earnings as of June 30, 2002. 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 Service Center's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Service Center's management dated May 5, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Material Noncompliance**

As part of reasonably assuring whether the Service 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 or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001.

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

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

May 5, 2005



## Auditor of State Betty Montgomery

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

Lake County Educational Service Center  
Lake County  
30 South Park Place  
Suite 320  
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 Service 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 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 Service Center's major federal program. The Service 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 Service 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 Service 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 Service 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 apply to its major federal program for the year ended June 30, 2003.

#### Internal Control Over Compliance

The Service 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 Service 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.

**Internal Control Over Compliance  
(Continued)**

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.



**Betty Montgomery**  
Auditor of State

May 5, 2005

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2003**

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

**LAKE COUNTY EDUCATIONAL SERVICE CENTER  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2003  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Noncompliance Citation**

<b>FINDING NUMBER</b>	<b>2003-001</b>
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**Financial Report Filing**

Ohio Revised Code Section 117.38, requires that entities reporting pursuant to generally accepted accounting principles file annual reports with the Auditor of States office within 150 days of their year end.

Generally accepted accounting principles (GAAP), requires the following:

- Balance sheet as prescribed by GAAP standards;
- Income and expense statement as prescribed by GAAP;
- Cash flow statement as prescribed by GAAP; and,
- Notes to the financial statements as prescribed by GAAP.

Contrary to this Code section, the Service Center did not complete its financial statements for Fiscal Year 2003 until November 2004.

We recommend that the Service Center organize its financial recordkeeping, develop tickler files as a reminder of filing dates, and take all other steps necessary to file its financial statements within the prescribed time period. If these financial statements are not filed within the prescribed timetable, the Service Center may be assessed a late filing penalty.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.





**Auditor of State  
Betty Montgomery**

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800-282-0370

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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  
JULY 5, 2005**