



Auditor of State
Betty Montgomery

**SUMMIT COUNTY EDUCATIONAL SERVICE CENTER
SUMMIT COUNTY**

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**Auditor of State
Betty Montgomery**

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

Summit County Educational Service Center
Summit County
420 Washington Avenue, Suite 200
Cuyahoga Falls, Ohio 44221

To the Board of Governors:

We have audited the basic financial statements of the Summit County Educational Service Center, Summit County, Ohio, (the Center) as of and for the year ended June 30, 2003 and have issued our report thereon dated November 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Center in a separate letter dated November 21, 2003.

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

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

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

Betty Montgomery
Auditor of State

November 21, 2003

**SUMMIT COUNTY EDUCATIONAL SERVICE CENTER
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two “exceptions” to the above requirements:

- Then and Now Certificates – If no certificate is furnished as required, upon receipt of the Treasurer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Governors may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- If the amount involved is less than \$1,000 (\$3,000 after April 7, 2003), the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board of Governors, if such expenditure is otherwise valid.

During 2003, 33% of expenditures tested were not certified by the Treasurer prior to incurring the obligation and neither of the above exceptions were utilized. The Center should certify the availability of funds prior to incurring the obligation for expenditures. All Center employees as well as employees of entities for which the Center serves as fiscal agent should be informed of the requirements of Ohio Rev. Code Section 5705.41(D). The Center should consider the further use of Then and Now certificates and Blanket Certificates as permitted by Ohio Rev. Code Section 5705.41(D) to avoid future noncompliance.

A similar comment was included in the Management Letter for the year ended June 30, 2002.

**SUMMIT COUNTY EDUCATIONAL SERVICE CENTER
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10977-001	The Center did not have an adequately documented capital asset policy or the ability to adequately identify and locate capital assets.	No	Partially corrected. Refer to Management Letter regarding attaching tags to capital assets.

Summit County Educational Service Center

Cuyahoga Falls, Ohio

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2003

PREPARED BY:
SONDRA E. CLEVINGER and
CHIEF FISCAL OFFICER'S STAFF

Summit County Educational Service Center
 Comprehensive Annual Financial Report
 Fiscal Year Ended June 30, 2003
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INTRODUCTORY SECTION

November 21, 2003

To the Citizens and Board of Governors of the Summit County Educational Service Center:

The Comprehensive Annual Financial Report (CAFR) of the Summit County Educational Service Center (the "Service Center") for the fiscal year ended June 30, 2003 is hereby submitted. This report, prepared by the Chief Fiscal Officer, includes basic financial statements, supplemental statements, and other financial and statistical information to provide a complete and full disclosure of all material financial aspects of the Service Center for the 2002-2003 fiscal year.

Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the Service Center management. To the best of our knowledge and belief, the CAFR and the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Service Center.

This CAFR, which includes an opinion from the Auditor of the State of Ohio's Office, conforms with accounting principles generally accepted in the United States of America as set forth by the Governmental Accounting Standards Board (GASB) and is representative of the Service Center's commitment to provide meaningful information to its' stakeholders.

This CAFR is presented in three sections:

The Introductory Section, which is unaudited, includes this transmittal letter, a list of public officials, the Service Center's organizational chart and the Government Finance Officers' Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for fiscal year 2002.

The Financial Section, includes the Independent Accountants' Report, Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the Service Center's financial position and operating results, the Combining Statements for nonmajor funds, and other schedules that provide detailed information relative to the basic financial statements.

The Statistical Section, which is unaudited, includes selective financial, economic, and demographic information, generally presented on a multi-year basis for comparative purposes.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Service Center’s MD&A can be found immediately following the Independent Accountants’ Report.

BACKGROUND AND GENERAL INFORMATION

History

In 1914, the Ohio Legislature created *county boards of education* to oversee the predominantly rural schools outside the cities and larger villages. From their inception, these county offices have performed many of the functions associated with the central office of a large city school system. For example, they provide supervision, psychological services, and prescribed courses of study. In 1995, the Ohio General Assembly adopted Am. Sub. H.B. 117, which altered the structure of county offices of education. Effective July 1, 1995 county offices of education would be known as “Educational Service Centers” governed by a Board of Governors and not a school board.

In Summit County, as the local districts grew larger and more capable of independent operation, the emphasis of the County Office gradually expanded to provide additional cooperative services which were too expensive for a single district to provide economically. Today, the Summit County Educational Service Center concentrates on four main areas of services: 1) curriculum and instructional technology; 2) pupil personnel; 3) support/supplementary services; and 4) administration. Experience has proven that service center organizations can provide advantages of economy of scale without the disadvantages of bureaucracy.

Since the early 1990’s, the Service Center has been able to contract with city school districts to provide services to non-local districts. This permits the city districts to have access to services that they currently cannot afford to provide, and until now, may not have been able to purchase at an affordable cost.

Districts Served

The Summit County Educational Service Center serves a student population of approximately 53,040 in sixteen districts. The districts served are:

Barberton City	Nordonia Hills City
Copley-Fairlawn City	Norton City
Coventry Local	Revere Local
Cuyahoga Falls City	Springfield Local
Green Local	Stow-Munroe Falls City
Hudson City	Tallmadge City
Manchester Local	Twinsburg City
Mogadore Local	Woodridge Local

These districts still maintain their local autonomy in smaller, more manageable, districts with enrollments ranging from 900 to over 6,000 students. Each of the districts has a locally elected board of education consisting of five members, a local superintendent and a treasurer.

The Service Center also provides selected contractual services to districts outside of Summit County. These school districts affiliate on an annual basis, by contract, for a broad spectrum of educational services available through the Service Center.

Organization

The Board of Governors (the “Board”) has five members elected by the voters of the seven local districts. The members must be residents and registered voters of one of the seven local districts. The term of office for each member is four years. Non-partisan elections are held biannually in November with two members being elected in one cycle and three in the following cycle.

The Board sets policies and enters into contracts and may serve in a judicial capacity to resolve disputes involving the organization. The Board appoints the Superintendent and the Chief Fiscal Officer. All other staff is recommended by the administration to the Board for approval. The Board meets monthly to conduct business.

The Superintendent is the Chief Executive Officer of the Service Center and is responsible directly to the Board for all operations. The current Superintendent is Patrick Corbett who has served in this position since February 2000. His current contract extends until July 31, 2003.

The Chief Fiscal Officer of the Service Center is responsible directly to the Board for all financial operations and serves as Secretary to the Board. The current Chief Fiscal Officer is Sondra Clevenger who has served in this position since July 2000. Her current contract extends until the organizational meeting in January 2007.

SERVICES

Curriculum and Instructional Technology

The Department of Curriculum & Instructional Technology plays a major role in maintaining and improving the quality of education in Summit County school districts. The department’s staff works mainly with teachers in two related areas: consultation and development. Their main emphasis is on helping teachers maintain and improve their instructional skills. The vehicles used are consultation, workshops, and conferences. The tools used are demonstrations of new methods and materials, on site consultations, workshops on specific topics and/or for a specific school, assistance in textbook selection, course of study development, implementation of state standards and educational innovations. The staff development opportunities provided to teachers, through the office, are among the most comprehensive in the State.

The Service Center, in collaboration with 18 school districts, 3 universities and other public and parochial partners, was the recipient of a United States Department of Educational “Technology Learning Challenge Grant”. The grant of \$6.8 million over five years (1995-2000) provided for curriculum and technology integration within the consortium. This program was titled *The NEW³ Project*. An extension to finish the grant was given until December 2001. With the end of the grant, we find that our partnership with the University of Akron has been strengthened. We still continue to provide leadership training through the University of Akron, and maintain a firm foundation in technology. The University of Akron awarded the Service Center with the “Community Partner Award” last summer in appreciation for all of our collaborative efforts.

Ohio legislation requires school districts to have a Continuous Improvement Plan (CIP). In response to this requirement, the Service Center now offers services to support the districts in their efforts to develop a CIP. These services are based on a model for developing district and building plans created by the Service Center for Leadership in School Reform System Standards. Analysis of Proficiency Test data is also a major component of the Service Center's efforts in this area. New services are also being developed to assist districts in this process.

The Service Center operates the state funded media library for Summit County. All schools, (private and public) are able to borrow videotapes, CD-ROMS and laser discs from our media library. This library is comprised of over 4,000 titles. There are no rental charges or delivery charges for the seven local and nine affiliate districts. All other users pay a modest rental fee and a delivery fee to cover the cost of postage. Teachers and administrators may call the office to book materials or access the MediaNet through the World Wide Web at <http://union.infohio.org/summit>.

Pupil Personnel

The Service Center provides services to school districts to assist in their delivery of services to special needs and at-risk populations. Services provided directly to students and families are: Attendance/Truancy, Psychological Testing and Individual Education Plans, Speech & Language Therapy and Audiology.

Specialized staffing and other programs are available to school districts to assist them in providing the necessary support for special populations. These include Gifted and Talented Coordination, Special Education Supervision, Speech and Language Supervision, and Work/Study Coordination.

The Summit County Preschool provides an integrated, comprehensive preschool program for all students, ages three to five, with special needs or at-risk concerns. In addition to classroom teaching, some of the related services provided are occupational therapy, physical therapy, nursing, nutrition, and transportation. Participating districts contract for this program.

Support/Supplementary

In order to serve their student populations, school districts must provide a complex network of services. Some of these services are more efficiently and cost effectively provided by a service agency such as the Service Center. To that end, the Service Center provides an array of services that some or all districts use. These include: a courier to and from all district central offices; school bus driver physicals, license checks and safety records; substitute teacher screening; teacher certification; employee background screening and fingerprinting for local districts.

Administrative

Of great benefit to the school districts, is the Service Center's cooperative and regional approach. Through this approach, the Service Center has the capacity to facilitate and manage projects in a manner that would not be otherwise possible. The \$6.8 million Federal Challenge Grant is an example of one major benefit of this approach. Some of the other vital benefits are the Service Center's ability to: 1) serve as a neutral convener; 2) provide consortium/partnerships formation and facilitation; 3) provide fiscal agency for grants, projects and Northeast Ohio Network of Educational Technology ("NEOnet" - a data acquisition site for school districts) and 4) provide legislative workshops.

The Service Center is committed to leadership development in the changing world of public education. To this end, the Service Center provides leadership academy opportunities to teachers, aspiring principals, principals, school building teams, treasurers, superintendents, and aspiring superintendents.

ECONOMIC CONDITION AND OUTLOOK

The Service Center's financial condition is dependent upon the collective financial condition of the districts served, and their ability to contract for the Service Center's services. The districts served are mainly within Summit County, Ohio.

In July of 2003, the Ohio legislature enacted HB 95. House Bill 95 requires the Ohio Department of Education to recommend to Ohio's General Assembly a plan for a regional system to deliver educational services. Agencies included in this plan for regionalization are educational service centers, special education regional resource centers, area media centers, school improvement facilitators, Ohio SchoolNet regional services, data acquisition sites, educational technology centers and others. After the process of request for input by the stakeholders is complete, the State Board of Education is scheduled to submit a plan for Ohio's Regional Educational Delivery System (OREDS), to the General Assembly by March 31, 2004. At this point in time, it is possible, if not probable, the look of Ohio's Educational Service Centers is about to change once again. Alignment of services is a logical way to eliminate duplication of services and to ensure tax dollars reach their intended purpose. Educational Service Centers have been delivering services to school districts since the early 1900's.

Summit County has been historically associated with the rubber industry. Although there has been a steady decrease in the number of hourly workers, there has been offset to a large degree by an increase in salaried workers in this industry. Goodyear Tire & Rubber Company was the largest employer in the County, however it has now been surpassed by Summa Health System with 4,813 employees and Akron General Medical Center with 4,807 employees. Goodyear Tire & Rubber Company is now in third place with approximately 3,900 employees.

The County is headquarters for four corporations with annual sales or revenues of more than one-hundred million dollars each. These are Goodyear Tire & Rubber Company, First Energy (Formerly Ohio Edison Company), Roadway Express, Inc., and Diebold, Inc.

Unemployment rates have climbed and stocks have had an overall decline since September 11, 2001. The national economy is in recession. History shows Summit County has fared favorably in unemployment rates compared to National and State rates. The unemployment rate in 2002 was at 5.5%. The State rate of 5.7% and the National rate of 5.8% were higher than that of our area for this same time period. The workforce is transitioning from manufacturing to service industries and this mirrors the national trend.

The largest expansions or plant improvements occurred in 1998 by Goodyear, \$25 million; OMNOVA Solutions, Inc (formerly GenCorp), \$20 million; Aircraft Braking Systems Corp., \$13 million; Novar Corp., \$7.5 million; Ferriot, Inc., \$6 million; and Atlas Steel Products, \$6 million. The largest new plant in Summit County was United Tractor Company at \$7.2 million.

In summary, the County's economy is in a continual recovery from the impact of September 11, 2001, and a period of stable economic growth is expected.

FINANCIAL INFORMATION

Accounting

This is the second year the Service Center has prepared financial statements following GASB Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – State and Local Governments”. GASB Statement No. 34 creates new basic financial statements for reporting on the Service Center’s financial activities as follows:

Government-wide financial statements - These statements are prepared on the accrual basis of accounting, which is similar to the basis of accounting followed by businesses. The government-wide statements distinguish between those activities of the Service Center that are governmental and those that are considered business type activities.

Fund financial statements - These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statement of budgetary comparison – This statement presents a comparison of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements and encumbrances.

As determined by criteria established by GASB Statement No. 34, the Service Center does not report any activities that qualify as proprietary or business type activities. As part of this new reporting model, management is also responsible for preparing a discussion and analysis of the Service Center. This discussion follows the Independent Accountants’ Report, providing an assessment of the Service Center’s finances for fiscal year 2003 and the outlook for the future. Because that discussion focuses on major funds, the financial highlights provided in this letter focus on certain nonmajor funds of the Service Center.

Internal Controls

The management of the Service Center is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Service Center are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived from its implementation; and (2) the valuation of cost and benefits requires estimates and judgments by management.

Single Audit Act

As a recipient of federal financial assistance, the Service Center is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the Service Center and annual reviews by the Service Center's independent auditors. Based upon the level of Federal spending for fiscal year 2003, a single audit was not required.

Budgetary Controls

The Service Center maintains its accounts, appropriations and other financial records in accordance with the procedures established and prescribed by the Ohio Auditor of State. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriation resolution approved by the Board of Governors. The legal level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The Service Center also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts at year-end are carried forward to succeeding years and are not re-appropriated.

CASH MANAGEMENT

The Service Center's approach to the cash management program has continued to be aggressive during 2002-2003 with the use of certificates of deposit. Due to very poor interest rates, certificates of deposit have been invested for very short periods of time. Shorter certificates of deposit have had the best interest rates available. The total amount of interest earned was \$78,544.

Protection of the Service Center's cash and investments is provided by the Federal Deposit Insurance Corporation as well as by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. As required under Ohio law, pooled securities have been pledged in an amount equal to 105% of the total deposits, to secure the repayment of all public monies deposited in a financial institution. A detailed description of the Service Center's investment functions is described in Note 5 to the basic financial statements.

RISK MANAGEMENT

As a political subdivision, the Service Center maintains protection for its assets and employees through a comprehensive insurance program. Insurance policies for general liability, commercial equipment loss, and vehicle liability are purchased from insurance companies licensed to do business in the State of Ohio.

The Service Center offers health and dental insurance benefits to full time employees and pays 80% of the insurance rate. The Service Center belongs to the Stark County Schools Council of Government (COG) Health Plan. The COG holds the assets of the plan. The Service Center pays a monthly premium to the plan and shares in ownership. The plan is fully funded and the Service Center is not at risk.

All employees of the Service Center are covered by worker's compensation. Effective January 1, 1995, the Service Center joined a group-rating program through the Ohio School Board Association in an effort to control these costs. Over 436 school districts in Ohio are participating members.

PENSION PLANS

The statewide School Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System (STRS) covers all Service Center employees. The Service Center's employer contributions to both systems are based on a percentage of employees' salaries. State law requires the Service Center to pay the employer share as determined by each retirement system, currently 14%. The Service Center's required contributions for fiscal year 2003 were \$504,306 and \$254,565 to STRS and SERS, respectively.

OTHER INFORMATION

Independent Audit

Provisions of State statute require the Service Center's financial statements to be subjected to bi-annual examination, annually if subject to the Federal Single Audit Act of 1984 and related OMB Circular A-133, by the Auditor of State. The Auditor of State of Ohio's Office performed the audit for the period ended June 30, 2003. The auditor's unqualified opinion rendered on the Service Center's basic financial statements, and their report on the combining and individual fund statements and schedules, is included in the financial section of this CAFR.

GFOA Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the Service Center for its fiscal year ended June 30, 2002 CAFR. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for the preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report will conform to the high standards required by the Certificate of Achievement program.

Acknowledgments

Publication of this report significantly increases the accountability of the Service Center to the stakeholders. Without the support and efforts of the Chief Fiscal Officer's office and various administrators and staff of the Service Center, this accomplishment would not have been possible.

Sincere appreciation is extended to the Board of Governors for its support and interest in this project.

Respectfully Submitted,



Patrick Corbett
Superintendent



Sondra Clevenger
Chief Fiscal Officer

Summit County Educational Service Center
Public Officials Roster
Year Ended June 30, 2003

Board of Governors

Ms. Alyce Altwies	President
Ms. Jennifer Troyer	Vice President
Ms. Susan Lobalzo	Member
Mr. Dow Wolfe, III	Member
Mr. Ray Weber	Member

Chief Fiscal Officer

Mrs. Sondra Clevenger

Administration

Mr. Patrick Corbett	Superintendent
Ms. Michelle Gaski	Director of Curriculum & Instructional Technology
Mrs. Kimberly Monachino	Director of Pupil Personnel Services

Summit County Educational Service Center
Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to
Summit County
Educational Service Center,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

FINANCIAL SECTION



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Summit County Educational Service Center
Summit County
420 Washington Avenue, Suite 200
Cuyahoga Falls, Ohio 44221

To the Board of Governors:

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Summit County Educational Service Center, Summit County, Ohio, (the Center) as of and for the year ended June 30, 2003, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Summit County Educational Service Center, Summit County, Ohio as of June 30, 2003, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2003, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the Center's basic financial statements. The introductory section, combining and individual nonmajor fund statements and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining and individual nonmajor fund statements 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. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

Betty Montgomery
Auditor of State

November 21, 2003

Summit County Educational Service Center
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
Unaudited

The discussion and analysis of Summit County Educational Service Center's (the "Service Center") financial performance provides an overview of the Service Center's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the financial performance as a whole. Please read it in conjunction with the transmittal letter and the basic financial statements and notes to enhance understanding of the Service Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2003 are as follows:

- In total, net assets increased \$416,564. This represents a 10% increase from fiscal year 2002.
- Total assets increased \$439,221 primarily from an increase in cash and cash equivalents as a result of a decrease in actual expenditures. In fiscal year 2002, the Service Center incurred a one time double expenditure of retirement costs. In fiscal year 2002 the State Teachers' Retirement System (STRS) changed its collection requirements, which required the Service Center to make contributions currently as opposed to in arrears. When this change was made, the Service Center made an extra payment of approximately \$338,000.
- General revenues accounted for \$2,702,641 in revenue, or 35% of all revenues. Program specific revenues, in the form of charges for services and operating grants and contributions accounted for \$4,965,678 or 65% of all revenues.
- The General fund, the Service Center's only major fund, has \$6,859,825 in revenues, or 88% of total governmental revenues and \$6,429,233 in expenditures or 88% of total governmental expenditures. The General fund's balance increased \$443,592 during 2003.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can easily understand Summit County Educational Service Center's operations and activities as a whole, or as an entire operating entity.

The statement of net assets and the statement of activities (on pages 12 and 13) provide information about the activities of the Service Center, presenting an aggregate view of the finances of the Service Center and a longer-term view of these finances for future spending.

Summit County Educational Service Center
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
Unaudited

Reporting the Service Center as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities answer the question of how did the Summit County Educational Service Center do financially during fiscal year 2003. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by for-profit businesses, financial institutions, and the stockholders of those companies. This basis of accounting takes into consideration all of the current fiscal year's revenues and expenses regardless of when cash was received or paid.

These two statements report net assets and changes in those assets. The change in net assets is valuable in analyzing these statements. These results indicate whether the financial position has improved or diminished. The cause of this change may be the result of many factors. Some factors may be financial while other factors will be non-financial. Non-financial factors include mandated educational programs, as well as locally requested programs.

In the statement of net assets and the statement of activities, the Service Center reports governmental activities. Governmental activities are the activities where most of the Service Center's programs and services are reported including, but not limited to, instruction, support services, and interest and fiscal charges.

Reporting the Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Service Center's major fund begins on page 14. Fund financial reports provide detailed information about the Service Center's major fund. The Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Service Center's most significant funds. The Service Center's only major governmental fund is the General Fund.

Governmental Funds

All of the Service Center's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for future periods. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Service Center's operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

The relationship, or differences, between governmental activities reported in the statement of net assets and the statement of activities and in the governmental funds are reconciled in the financial statements.

Summit County Educational Service Center
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Unaudited

The Service Center as a Whole

The statement of net assets provides the perspective of the Service Center as a whole.

Table 1 provides a summary of the Service Center's net assets for 2003 compared to 2002:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Assets		
<i>Current and other assets</i>	\$ 5,206,158	\$ 4,710,709
<i>Depreciable capital assets, net</i>	<u>476,382</u>	<u>532,610</u>
<i>Total assets</i>	5,682,540	5,243,319
Liabilities		
<i>Other liabilities</i>	659,962	634,343
<i>Long-term liabilities</i>	<u>269,009</u>	<u>271,971</u>
<i>Total liabilities</i>	928,971	906,314
Net Assets		
<i>Invested in capital assets, net of related debt</i>	445,989	501,966
<i>Restricted</i>	294,129	274,906
<i>Unrestricted</i>	<u>4,013,451</u>	<u>3,560,133</u>
<i>Total net assets</i>	<u>\$ 4,753,569</u>	<u>\$ 4,337,005</u>

Total assets increased \$439,221 or 8% as compared to fiscal year 2002. Overall net assets of the Service Center have increased by \$416,564, or 10% as compared to fiscal year 2002. Both increases can be attributed to the timing of STRS payments made during the current fiscal year, noted in the financial highlights, as compared to the year prior.

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Table 2 reflects the changes in net assets for fiscal year 2003.

Table 2
Changes in Net Assets

	<i>Governmental Activities</i>	
	<u>2003</u>	<u>2002</u>
Revenues		
<i>Program revenues:</i>		
<i>Charges for services</i>	\$ 4,270,385	\$ 3,905,835
<i>Operating grants and contributions</i>	695,293	862,064
<i>General revenues:</i>		
<i>Grants and entitlements</i>	2,585,662	2,614,767
<i>Investment earnings</i>	78,544	125,806
<i>Miscellaneous</i>	38,435	36,842
<i>Total revenues</i>	<u>7,668,319</u>	<u>7,545,314</u>
Program Expenses		
<i>Instruction:</i>		
<i>Regular</i>	11,290	58,807
<i>Special</i>	2,105,265	1,900,754
<i>Vocational</i>	58,106	177,566
<i>Adult/continuing</i>	48,034	-
<i>Support services:</i>		
<i>Pupils</i>	1,696,117	1,779,513
<i>Instructional staff</i>	2,081,258	1,932,347
<i>Board of governors</i>	31,509	19,352
<i>Administration</i>	592,645	566,137
<i>Fiscal</i>	211,210	206,014
<i>Business</i>	57,747	49,106
<i>Operation and maintenance of plant</i>	107,352	168,459
<i>Pupil transportation</i>	-	11,874
<i>Central</i>	248,863	446,710
<i>Interest and fiscal charges</i>	2,359	2,361
<i>Total expenses</i>	<u>7,251,755</u>	<u>7,319,000</u>
 <i>Increase in net assets</i>	 <u>\$ 416,564</u>	 <u>\$ 226,314</u>

Governmental Activities

A review of Table 2 reflects the total cost of instructional services was \$2,222,695, or 31% of the Service Center's total expenses. Instructional expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil. These expenses increased over 2002 by \$85,568, or 4%. This increase was due to expansion of our preschool program, as well as the hiring of an occupational therapist to help meet the demand of our districts.

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Pupils and instructional staff include the activities involved in assisting staff with the content and process of teaching to pupils. This is a major emphasis of the Service Center as the total expenses were \$3,777,375, or 52% as compared to the total expenses of the Service Center. Of these expenses, instructional staff increased \$148,911, or 8% as compared to 2002. As a result of the expanded preschool program, increases in the related support services were required. Examples of such services are speech therapy and psychological services. This was not only true of our preschool program but our member school districts also increased their requests for psychological services, speech therapy services, nursing services and technology services.

Board of governors, administration, fiscal and business include expenses associated with administrative and financial supervision of the Service Center. These expenses totaled \$893,111, or 12% of the total expenses of the Service Center. Each of these expenses incurred moderate increases over 2002.

The statement of activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. Table 3 indicates the total cost of services and the net cost of services.

Table 3
Governmental Activities

	<i>Total Cost of Services <u>2003</u></i>	<i>Total Cost of Services <u>2002</u></i>	<i>Net Cost of Services <u>2003</u></i>	<i>Net Cost of Services <u>2002</u></i>
<i>Program Expenses</i>				
<i>Instruction:</i>				
<i>Regular</i>	\$ 11,290	\$ 58,807	\$ 102,076	\$ 174,909
<i>Special</i>	2,105,265	1,900,754	(833,392)	64,334
<i>Vocational</i>	58,106	177,566	(3,632)	23
<i>Adult/continuing</i>	48,034	-	13,796	-
<i>Support services:</i>				
<i>Pupils</i>	1,696,117	1,779,513	(448,905)	(583,462)
<i>Instructional staff</i>	2,081,258	1,932,347	(887,415)	(866,568)
<i>Board of governors</i>	31,509	19,352	(27,496)	(19,352)
<i>Administration</i>	592,645	566,137	174,147	(138,736)
<i>Fiscal</i>	211,210	206,014	(145,555)	(205,119)
<i>Business</i>	57,747	49,106	(52,128)	(49,106)
<i>Operation and maintenance of plant</i>	107,352	168,459	(98,522)	(168,459)
<i>Pupil transportation</i>	-	11,874	-	(1,723)
<i>Central</i>	248,863	446,710	(76,692)	(104,370)
<i>Interest and fiscal charges</i>	2,359	2,361	(2,359)	(2,361)
<i>Total</i>	<u>\$ 7,251,755</u>	<u>\$ 7,319,000</u>	<u>\$ (2,286,077)</u>	<u>\$ (1,899,990)</u>

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The dependence upon general revenues for governmental activities is apparent, with 32% of net cost of services supported by general revenues. It is the intention of the Board of Governors not to over charge the districts served and to utilize the general revenues to offset the cost of programs to member districts.

The Service Center's Funds

The Service Center's governmental funds are accounted for using the modified accrual basis of accounting. Total revenues, other financing sources and beginning fund balances were \$11,347,746 and expenditures were \$7,281,199, which indicates the Service Center was able to meet current costs.

Fund balances in the General fund increased by \$443,592 while other governmental funds increased \$84,932. The General fund balance increase was attributed to payment requirements mandated by the State Teachers Retirement System. In fiscal year 2002, a double payment was required. In fiscal year 2003, costs for the same services lowered due to this cyclical change.

Budgeting Highlights

The Service Center's budget is prepared according to the requirements of the State Department of Education, and is based on cash receipts, disbursements, and encumbrances. The Service Center's most significant budgeted fund is the General fund. The General fund, and all other governmental funds, is budgeted at the fund level.

As services provided to the local school districts change during the fiscal year, adjustments are made to the original budget. One example of a need to increase the budget would be an increase in classroom students. Teacher Aides, which had not been budgeted for originally, would be added due to classroom enrollment factors. This type of request generally comes directly from the Superintendent of the school district where the students are served. Additions to personnel are the primary cause for budget revisions and are approved by the Service Center's Board of Governors.

For the General Fund, final budgeted revenues and other financing sources in the amount of \$6,858,782, were above the original budgeted revenues and other financing sources, in the amount of \$6,699,312. The difference of \$159,470 is attributed to an unanticipated increase in requests for services from the sixteen-local/city school districts, as well as many questions as to the amount of state support to be received due to lagging state budget revenues.

Expenditures and other financing uses were budgeted at \$7,515,987 as compared to actual amounts of \$6,669,878. The difference of \$846,109 is largely the result of budgeting salaries for twelve-month employee current contracts even though the first two month's actual expenditures will be at the prior year contract amounts. A general over-compensation was made for the cost of health care. However, most of the budget overages occurred in accounts under control of the districts. Each year districts have an amount of money that is budgeted here at the Service Center. They are in control of this money and can carry over amounts which are not spent. This practice allows districts to budget money they may or may not decide to spend.

Summit County Educational Service Center
 Management's Discussion and Analysis
 For Fiscal Year Ended June 30, 2003
 Unaudited

The Service Center's ending unobligated budgetary balance was \$936,746 above the final budgeted amount primarily due to districts not spending the full amount of their budget requests and carrying over their money to the next fiscal year.

Capital Assets

Due to events described in Note 3 of the basic financial statements, beginning capital assets (net of depreciation) were restated. At the end of fiscal year 2003, the Service Center had \$476,382 invested in capital assets. Table 4 reflects fiscal year 2003 balances compared to fiscal year 2002 restated amounts:

Table 4
Capital Assets at June 30, 2003
(Net of Depreciation)

	<i>Governmental Activities</i>	
	<u>2003</u>	<u>2002</u>
<i>Furniture and equipments</i>	476,382	529,576
<i>Vehicles</i>	-	3,034
<i>Total capital assets</i>	<u>\$ 476,382</u>	<u>\$ 532,610</u>

Overall the value of capital assets decreased over the prior year as a result of current year depreciation exceeding current year additions. Again in fiscal year 2004, the capital budget calls for it to spend a minimal amount on capital purchases. See Note 7 to the basic financial statements for detail on the Service Center's capital assets.

Debt

At year-end, the Service Center had only capitalized leases as debt. Capital lease activity decreased due to final payment of the Service Center's courier van lease. This van is now the property of the Service Center. See Note 12 to the basic financial statements for detail on the Service Center's long-term obligations.

Current Issues

Amended Substitute House Bill 94 allows the County Commissioner's phase out of responsibilities to supply facilities occupied by Service Centers. Previously, the Summit County Council provided office facilities at no cost to the Service Center. The County Council has informed the Service Center that they intend to transfer these costs back to the Board of Governors. The cost is being phased in over a five-year period, with 20%, being charged in fiscal year 2003. The cost increases 20% each year until 100% is charged to the Service Center. These costs will ultimately need to flow to the school districts served unless a replacement stream of revenue can be found.

Summit County Educational Service Center
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In fiscal year 2003, the Service Center became administrator for the Praxis III grant. Praxis III is a program in which funds flow from the Ohio Department of Education in order to test entry year teachers. The Service Center provided fiscal and other services to this program and was able to offset this first year of facility expenditures.

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

Ohio's Legislature has directed the Ohio Department of Education to evaluate and recommend an efficient system of regional delivery of educational services. This plan is due to the state legislature by March 2004. Until the plan is published, it is not clear how Educational Service Centers will be impacted.

Contacting the Service Center's Financial Management

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Service Center's finances and to show the Service Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Summit County Educational Service Center Treasurer/CFO Office at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

Basic Financial Statements

Summit County Educational Service Center

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 4,567,871
Receivables:	
Intergovernmental	622,922
Accrued interest	443
Prepaid items	9,146
Materials and supplies inventory	5,776
Depreciable capital assets, net	<u>476,382</u>
Total assets	<u>5,682,540</u>
<u>Liabilities:</u>	
Accounts payable	22,257
Accrued wages	471,120
Compensated absences payable	30,236
Intergovernmental payable	136,349
Long-term liabilities:	
Due within one year	78,506
Due in more than one year	<u>190,503</u>
Total liabilities	<u>928,971</u>
<u>Net assets:</u>	
Invested in capital assets, net of related debt	445,989
Restricted for:	
Other purposes	294,129
Unrestricted	<u>4,013,451</u>
Total net assets	<u>\$ 4,753,569</u>

See accompanying notes to the basic financial statements.

Summit County Educational Service Center

Statement of Activities

For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets
				Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 11,290	\$ 113,366	\$ -	\$ 102,076
Special	2,105,265	1,113,837	158,036	(833,392)
Vocational	58,106	54,474	-	(3,632)
Adult/continuing	48,034	11,238	50,592	13,796
Support services:				
Pupils	1,696,117	1,211,153	36,059	(448,905)
Instructional staff	2,081,258	970,387	223,456	(887,415)
Board of governors	31,509	4,013	-	(27,496)
Administration	592,645	582,044	184,748	174,147
Fiscal	211,210	27,081	38,574	(145,555)
Business	57,747	5,619	-	(52,128)
Operation and maintenance of plant	107,352	8,830	-	(98,522)
Central	248,863	168,343	3,828	(76,692)
Interest and fiscal charges	2,359	-	-	(2,359)
Total governmental activities	<u>\$ 7,251,755</u>	<u>\$ 4,270,385</u>	<u>\$ 695,293</u>	<u>(2,286,077)</u>

General Revenues:

Grants and entitlements not restricted to specific programs	2,585,662
Investment earnings	78,544
Miscellaneous	38,435
Total general revenues	<u>2,702,641</u>
Change in net assets	416,564
Net assets beginning of year - (See Note 3)	<u>4,337,005</u>
Net assets end of year	<u>\$ 4,753,569</u>

See accompanying notes to the basic financial statements.

Summit County Educational Service Center

Balance Sheet

Governmental Funds

June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 4,245,869	\$ 322,002	\$ 4,567,871
Receivables:			
Intergovernmental	541,212	81,710	622,922
Interfund	89,562	-	89,562
Accrued interest	443	-	443
Materials and supplies inventory	5,776	-	5,776
Prepaid items	9,146	-	9,146
Total assets	<u>\$ 4,892,008</u>	<u>\$ 403,712</u>	<u>\$ 5,295,720</u>
<u>Liabilities:</u>			
Accounts payable	\$ 15,481	\$ 6,776	\$ 22,257
Accrued wages	461,784	9,336	471,120
Interfund payable	-	89,562	89,562
Intergovernmental payable	107,581	3,909	111,490
Compensated absences payable	30,236	-	30,236
Deferred revenue	483,866	20,642	504,508
Total liabilities	<u>1,098,948</u>	<u>130,225</u>	<u>1,229,173</u>
<u>Fund balances:</u>			
Reserved for encumbrances	141,095	82,600	223,695
Reserved for prepaids	9,146	-	9,146
Unreserved:			
Designated for budget stabilization	148,863	-	148,863
Designated for contingencies	250,000	-	250,000
Undesignated, reported in:			
General fund	3,243,956	-	3,243,956
Special revenue funds	-	190,887	190,887
Total fund balances	<u>3,793,060</u>	<u>273,487</u>	<u>4,066,547</u>
Total liabilities and fund balances	<u>\$ 4,892,008</u>	<u>\$ 403,712</u>	<u>\$ 5,295,720</u>

See accompanying notes to the basic financial statements.

Summit County Educational Service Center
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
For the Fiscal Year Ended June 30, 2003

Total governmental funds balances			\$	4,066,547
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				476,382
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds:				
Intergovernmental	\$	20,642		
Charges for services		483,866		
Total				504,508
Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and are therefore not reported in the funds.				(24,859)
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:				
Compensated absences	\$	(238,616)		
Capital leases		(30,393)		
Total				(269,009)
Net assets of governmental activities			\$	<u>4,753,569</u>

See accompanying notes to the basic financial statements.

Summit County Educational Service Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Intergovernmental	\$ 2,577,490	\$ 781,946	\$ 3,359,436
Interest	78,544	-	78,544
Tuition and fees	362,000	-	362,000
Gifts and donations	-	1,300	1,300
Charges for services	3,804,656	153,652	3,958,308
Miscellaneous	37,135	-	37,135
Total revenues	<u>6,859,825</u>	<u>936,898</u>	<u>7,796,723</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	11,573	50	11,623
Special	1,888,950	216,278	2,105,228
Vocational	59,879	-	59,879
Adult/continuing	-	48,034	48,034
Support services:			
Pupils	1,647,906	51,419	1,699,325
Instructional staff	1,738,892	314,305	2,053,197
Board of governors	31,145	-	31,145
Administration	469,246	140,833	610,079
Fiscal	209,139	37,300	246,439
Business	53,568	-	53,568
Operation and maintenance of plant	96,194	131	96,325
Central	207,130	43,616	250,746
Debt service:			
Principal retirement	13,252	-	13,252
Interest and fiscal charges	2,359	-	2,359
Total expenditures	<u>6,429,233</u>	<u>851,966</u>	<u>7,281,199</u>
Excess of revenues over (under) expenditures	<u>430,592</u>	<u>84,932</u>	<u>515,524</u>
<u>Other financing sources:</u>			
Inception of capital lease	<u>13,000</u>	<u>-</u>	<u>13,000</u>
Net change in fund balances	443,592	84,932	528,524
Fund balances beginning of year	<u>3,349,468</u>	<u>188,555</u>	<u>3,538,023</u>
Fund balances end of year	<u>\$ 3,793,060</u>	<u>\$ 273,487</u>	<u>\$ 4,066,547</u>

See accompanying notes to the basic financial statements.

Summit County Educational Service Center
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, 2003

Net change in fund balances - total governmental funds	\$	528,524
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital asset additions	\$	50,837
Depreciation expense		<u>(107,065)</u>
Excess of depreciation over capital asset additions		(56,228)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:		
Intergovernmental	\$	385,045
Charges for services		<u>(434,025)</u>
Net change in deferred revenues during the year		(48,980)
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statements of net assets, the lease obligation is reported as a liability.		(13,000)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		13,252
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in compensated absences	\$	2,710
Increase in pension obligation		<u>(9,714)</u>
Total additional expenditures		<u>(7,004)</u>
Change in net assets of governmental activities	<u>\$</u>	<u>416,564</u>

See accompanying notes to the basic financial statements.

Summit County Educational Service Center
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	\$ 2,565,475	\$ 2,397,041	\$ 2,577,490	\$ 180,449
Interest	120,000	78,579	78,580	1
Tuition and fees	198,674	334,555	340,068	5,513
Charges for services	3,712,638	3,938,076	3,849,621	(88,455)
Miscellaneous	36,000	44,006	36,680	(7,326)
Total revenues	<u>6,632,787</u>	<u>6,792,257</u>	<u>6,882,439</u>	<u>90,182</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	61,157	146,571	13,687	132,884
Special	1,920,914	2,015,366	1,913,763	101,603
Vocational	72,837	77,803	67,138	10,665
Support services:				
Pupils	1,842,856	1,722,825	1,667,252	55,573
Instructional staff	2,018,933	1,992,876	1,780,569	212,307
Board of governors	33,527	47,044	41,988	5,056
Administration	769,646	728,616	490,129	238,487
Fiscal	220,666	223,055	209,260	13,795
Business	72,178	71,758	61,661	10,097
Operation and maintenance of plant	179,855	143,252	127,495	15,757
Central	264,572	246,821	207,374	39,447
Total expenditures	<u>7,457,141</u>	<u>7,415,987</u>	<u>6,580,316</u>	<u>835,671</u>
Excess of revenues over (under) expenditures	<u>(824,354)</u>	<u>(623,730)</u>	<u>302,123</u>	<u>925,853</u>
<u>Other financing sources (uses):</u>				
Refund of prior year expenditures	-	-	455	455
Advances in	66,525	66,525	66,525	-
Advances out	(100,000)	(100,000)	(89,562)	10,438
Total other financing sources (uses)	<u>(33,475)</u>	<u>(33,475)</u>	<u>(22,582)</u>	<u>10,893</u>
Net change in fund balance	(857,829)	(657,205)	279,541	936,746
Fund balances at beginning of year	3,717,659	3,717,659	3,717,659	-
Prior year encumbrances appropriated	88,455	88,455	88,455	-
Fund balances at end of year	<u>\$ 2,948,285</u>	<u>\$ 3,148,909</u>	<u>\$ 4,085,655</u>	<u>\$ 936,746</u>

See accompanying notes to the basic financial statements.

Summit County Educational Service Center

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2003

	Private Purpose Trust	
	Scholarship	Agency
<u>Assets:</u>		
Equity in pooled cash and cash equivalents	\$ -	\$ 1,475,558
Receivables:		
Intergovernmental	-	56,184
Total assets	<u>-</u>	<u>\$ 1,531,742</u>
<u>Liabilities:</u>		
Accounts payable	\$ -	\$ 6,794
Accrued wages	-	26,555
Intergovernmental payable	-	23,552
Undistributed monies	-	1,474,841
Total liabilities	<u>-</u>	<u>\$ 1,531,742</u>
<u>Net assets:</u>		
Held in trust for scholarships	<u>\$ -</u>	

See accompanying notes to the basic financial statements.

Summit County Educational Service Center
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2003

	<u>Scholarship</u>
<u>Additions:</u>	
Gifts and donations	\$ 12,000
<u>Deductions:</u>	
Payments in accordance with trust agreement	<u>12,000</u>
Change in net assets	-
Net assets beginning of year	<u>-</u>
Net assets end of year	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.

Notes to the Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE SERVICE CENTER

The Summit County Educational Service Center (the "Service Center") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Service Center is a County Educational Service Center as defined by Section 3313.01 of the Ohio Revised Code. The Service Center operates under an elected Board of Governors (5 members). Board members must be residents of the local school systems located in Summit County. The Service Center provides educational services to the local school systems in Summit County as well as nine city school districts, which have a contractual relationship with the Service Center.

Average daily membership (ADM) for the area school districts served by the Service Center as of October 1, 2002 was 53,040. The Service Center employed 78 certificated employees and 118 non-certificated employees at that date.

Reporting Entity

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the Service Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Service Center.

Component units are legally separate organizations for which the Service Center is financially accountable. The Service Center is financially accountable for an organization if the Service Center appoints a voting majority of the organizations' governing board and (1) the Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Service Center is legally entitled to or can otherwise access the organization's resources; the Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Service Center in that the Service Center approves the budget, the issuance of debt or the levying of taxes. The Service Center does not have any component units.

The Service Center is associated with the Northeast Ohio Network for Educational Technology, which is defined as a jointly governed organization. Representatives from each of the governments that create the organization govern jointly governed organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding this organization is presented in Note 14.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Service Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The Service Center will apply Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to any proprietary activities provided they do not conflict with or contradict GASB pronouncements. For fiscal year 2003, the Service Center does not report any proprietary activities. The Service Center's significant accounting policies are described below.

Summit County Educational Service Center

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Service Center at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operations of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Service Center.

Fund Financial Statements

During the fiscal year, the Service Center segregates transactions related to certain Service Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Service Center at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The only major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The Service 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 Service Center functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Service Center are grouped into the categories of governmental and fiduciary.

Governmental Funds:

Governmental funds are those through which most governmental functions of the Service Center are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The general fund is the only major fund of the Service Center.

Notes to the Basic Financial Statements

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

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

Proprietary Funds:

Proprietary funds are used to account for the Service Center's ongoing activities that are similar to those found in the private sector. The Service Center has no proprietary funds.

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Service Center's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Service Center's fiduciary funds are a private purpose trust and agency funds.

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Service Center are included on the statement of net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reflects on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the private purpose trust and agency funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Summit County Educational Service Center

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, 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 Service Center, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the Service Center receives value without directly giving equal value in return include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Service Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Service Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major document prepared is the appropriation resolution, which is prepared on the budgetary basis of accounting. The appropriations resolution is subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Governors.

Notes to the Basic Financial Statements

The Board of Governors must submit an annual appropriation of operating expenses to the State Board of Education for approval in accordance with ORC Section 3317.11. Part of the Service Center's operating expenses are apportioned among the member districts under the basis of the total number of pupils in each district and deducted from funds allocated to local districts under the State's School Foundation Program. Prior to the passage of the Annual Appropriation Resolution, the Board may pass a temporary resolution to meet the ordinary expenses of the Service Center. Appropriations by fund must be within the estimated resources and the total expenditures and encumbrances may not exceed the appropriation at any level of control. The Board must approve any revisions that alter the total of any fund appropriations.

The final budget figures, which appear in the statement of budgetary comparison, represent the last appropriation amounts. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions. Under Ohio law advances are not required to be budgeted.

F. Cash and Cash Equivalents

To improve cash management, all cash received by the Service Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through Service Center records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to overnight repurchase agreements and certificates of deposit. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market price. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Service Center are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. During the fiscal year all investments of the Service Center had a maturity of three months or less.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure is reported in the year in which services are consumed.

H. Inventory

Within the basic financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used.

I. Capital Assets

All of the Service Center's capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net assets but are not reported on the fund financial statements.

Summit County Educational Service Center

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The Service Center maintains a capitalization threshold of \$1,000. The Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. It is the policy of the Service Center to not capitalize interest costs incurred as part of construction.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
<i>Furniture and equipment</i>	<i>3 - 20 years</i>
<i>Vehicles</i>	<i>3 - 5 years</i>

J. Short-term Interfund Assets/Liabilities

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Service Center will compensate the employees for the benefits through paid time off or some other means. The Service Center records a liability for accumulated unused vacation time earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Service Center's termination policy.

L. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

Notes to the Basic Financial Statements

M. Net assets

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

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

N. Fund Balance Reserves and Designations

The Service Center records reservations and designations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances and prepaids. Designations were established by Board resolutions to account for monies held for contingencies and budget stabilization.

O. Interfund transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses for governmental funds. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net assets. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented in the financial statements.

P. Estimates

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

NOTE 3 - RESTATEMENT OF PRIOR YEAR NET ASSETS

During the fiscal year, the Service Center completed a physical inventory of capital assets, which resulted in a net reduction in the total reported cost of capital assets. Additionally, an error was discovered in the information used to determine useful lives of capital assets in connection with the implementation of GASB Statement No. 34. Due to these errors a restatement of beginning net assets is necessary. The impact on prior year's change in net assets is deemed immaterial, thus there will be no presentation on the effect on prior year's change in net assets. The restatement is as follows:

Summit County Educational Service Center

	<u>Total</u>
Net assets as previously stated, June 30, 2002	\$ 4,167,739
Restatement (See Note 7)	<u>169,266</u>
Net assets restated June 30, 2002	<u>\$ 4,337,005</u>

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the Service Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$ 443,592
Revenue accruals	76,594
Expenditure accruals	(400,862)
Encumbrances (Budget Basis)	
Outstanding at year end	<u>160,217</u>
Budget Basis	<u>\$ 279,541</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Notes to the Basic Financial Statements

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury Bills, Notes, Bonds, or any other obligations 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. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed 30 days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above 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);
7. Certain bankers' acceptances and commercial paper notes for a period of 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the Service Center's deposits may be 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 Chief Fiscal Officer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

Summit County Educational Service Center

A. Deposits:

At fiscal year-end, the carrying amount of the Service Center's deposits was \$3,883,429, and the bank balance was \$4,016,921. Of the bank balance, \$116,921 was covered by federal depository insurance. \$3,900,000 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Service Center's name.

B. Investments:

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the Service Center's investments be classified in categories of custodial credit risk. Category 1 includes investments that are insured or registered or for which the Service Center, or its agent, in the Service Center's name, holds the securities. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the Service Center's name.

Interest is legally required to be placed in the general fund. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$78,544, which includes \$25,461 assigned from other Service Center funds.

The Service Center's investment at year-end consisted of an overnight repurchase agreement. It is a Category 3 investment, with a fair value of \$2,160,000.

NOTE 6 - RECEIVABLES

Receivables at year-end consisted of interfund, intergovernmental (grants and entitlements and charges for services provided to other governments) and accrued interest. All receivables are considered collectible in full due to the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<i>General fund</i>	\$ 541,212
<u><i>Special revenue funds</i></u>	
<i>Miscellaneous Local Grants</i>	42,370
<i>Eisenhower</i>	27,597
<i>EHA Preschool Grant</i>	<u>11,743</u>
<i>Total intergovernmental receivables</i>	<u>\$ 622,922</u>

Notes to the Basic Financial Statements

NOTE 7 - CAPITAL ASSETS

Capital assets reported as of June 30, 2002 have been restated (See Note 3). The restatement to individual asset classes were as follows:

	<i>Balance</i>	<i>Adjustments</i>	<i>Restated</i>
	<u>June 30, 2002</u>	<u>June 30, 2002</u>	<u>June 30, 2002</u>
<i>Governmental Activities</i>			
<i>Furniture and equipment</i>	\$ 1,081,520	\$ (100,858)	\$ 980,662
<i>Vehicles</i>	18,207	-	18,207
<i>Less: Accumulated depreciation</i>	<u>(736,383)</u>	<u>270,124</u>	<u>(466,259)</u>
<i>Total</i>	<u>\$ 363,344</u>	<u>\$ 169,266</u>	<u>\$ 532,610</u>

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

<u>Governmental Activities</u>	<i>Restated</i>	<i>Balance</i>	<i>Additions</i>	<i>Disposals</i>	<i>Balance</i>
	<u>July 1, 2002</u>	<u>July 1, 2002</u>	<u>July 1, 2002</u>	<u>July 1, 2002</u>	<u>June 30, 2003</u>
<i>Capital assets, being depreciated:</i>					
<i>Furniture and equipment</i>	\$ 980,662	\$ 50,837	\$ -	\$ -	\$ 1,031,499
<i>Vehicles</i>	<u>18,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,207</u>
<i>Total capital assets, being depreciated</i>	<u>998,869</u>	<u>50,837</u>	<u>-</u>	<u>-</u>	<u>1,049,706</u>
<i>Less: Accumulated depreciation</i>					
<i>Furniture and equipment</i>	(451,086)	(104,031)	-	-	(555,117)
<i>Vehicles</i>	<u>(15,173)</u>	<u>(3,034)</u>	<u>-</u>	<u>-</u>	<u>(18,207)</u>
<i>Total accumulated depreciation</i>	<u>(466,259)</u>	<u>(107,065)</u>	<u>-</u>	<u>-</u>	<u>(573,324)</u>
<i>Total capital assets being depreciated, net</i>	<u>532,610</u>	<u>(56,228)</u>	<u>-</u>	<u>-</u>	<u>476,382</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 532,610</u>	<u>\$ (56,228)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 476,382</u>

Summit County Educational Service Center

Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
<i>Regular</i>	\$ 1,259
<i>Special</i>	5,887
<i>Vocational</i>	5,686
<i>Support services:</i>	
<i>Instructional staff</i>	43,471
<i>Administration</i>	269
<i>Fiscal</i>	722
<i>Business</i>	3,034
<i>Operation and maintenance of plant</i>	46,046
<i>Central</i>	<u>691</u>
	<u>\$ 107,065</u>

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at year-end consist of the following individual fund receivables and payables:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
<i>General fund</i>	\$ 89,562	\$ -
<i>Nonmajor governmental funds</i>	<u>-</u>	<u>89,562</u>
<i>Total</i>	<u>\$ 89,562</u>	<u>\$ 89,562</u>

All interfund loans made during the year were to cover cash deficits. As of June 30, 2003, all interfund loans outstanding are anticipated to be repaid in fiscal year 2004.

NOTE 9 - RISK MANAGEMENT

The Service Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year, the Service Center contracted for the following insurance coverage:

Notes to the Basic Financial Statements

<u>Comprehensive General Liability</u>	<u>Coverage Amount</u>
<i>Per occurrence (\$1,000 Deductible)</i>	\$ 1,000,000
<i>Total per year</i>	5,000,000
<i>Business Auto (\$250 Deductible)</i>	1,000,000
<u>Public Officials Bonds</u>	
<i>Treasurer</i>	100,000
<u>Education Liability</u>	
<i>Per occurrence</i>	1,000,000
<i>Total per year</i>	3,000,000
<u>Other Coverage</u>	
<i>Fire Damage</i>	500,000

There have been no settlements paid in excess of insurance coverage nor has insurance coverage been significantly reduced in the past three years.

The Service Center is a participant in the Stark County Schools Council of Government ("Council") for the purpose of obtaining benefits at a reduced premium for health care. Mutual Health Services Company and the Aultcare Corporation administer the insurance program for health care. Payments are made to the Council for monthly premiums, monthly stop-loss premiums, and administrative charges. The fiscal agent of the Council is the Stark County Educational Service Center. The fiscal agent pays Mutual Health Services and the Aultcare Corporation monthly for all participating districts, the actual amount of claims processed, the stop-loss premium, and the administrative charges.

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the Service Center is required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 8.17% for pension obligations. For fiscal year 2002, 5.46% 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 the statutory maximum amounts, by the SERS Retirement Board. The Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$148,557, \$97,985, and \$53,322, respectively; 95% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$7,051 representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds.

Summit County Educational Service Center

B. State Teachers Retirement System

The Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 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, the member invests member contributions, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 9.3% of their annual covered salary and the Service Center is required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 13% for pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$468,284, \$361,552, and \$300,374, respectively; 89% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$50,027, representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

Notes to the Basic Financial Statements

NOTE 11 - POSTEMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1.0%, as compared to 4.5% in 2002, of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the Service Center this amount equaled \$36,022 during the 2003 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.011 billion at June 30, 2002, (latest information available). For the year ended June 30, 2002, the net health care costs paid by the STRS were \$354,697,000 and eligible benefit recipients totaled 105,300.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with 10 or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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% of the premium. For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll, which is a decrease of 2.71% as compared to 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14% 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 has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the Service Center, the amount of employer contributions used to fund health care equaled \$106,008, which includes a surcharge of \$24,859 during the 2003 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003, (latest information available) were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the SERS's net assets available for payment of health care benefits was \$303.6 million. The number of participants receiving health care benefits was approximately 50,000.

NOTE 12 - LONG TERM OBLIGATIONS

Changes in long-term obligations of the Service Center during the current fiscal year were as follows:

	<i>Balance</i>			<i>Balance</i>	<i>Amounts</i>
	<i>July 1</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30</i>	<i>due within</i>
					<i>one year</i>
<i>Governmental Activities</i>					
<i>Compensated absences</i>	\$ 241,326	\$ 27,526	\$ (30,236)	\$ 238,616	\$ 67,671
<i>Capital leases</i>	<u>30,645</u>	<u>13,000</u>	<u>(13,252)</u>	<u>30,393</u>	<u>10,835</u>
<i>Total governmental activities</i>					
<i>long-term liabilities</i>	<u>\$ 271,971</u>	<u>\$ 40,526</u>	<u>\$ (43,488)</u>	<u>\$ 269,009</u>	<u>\$ 78,506</u>

Summit County Educational Service Center

Compensated absences will be paid from the fund in which the employee is paid. In prior years, this fund has primarily been the general fund. Capital leases will be paid from the general fund.

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The Service Center has entered into capitalized leases for the acquisition of copier equipment. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been capitalized in the amount of \$48,000; this amount is equal to the present value of the future minimum lease payments at the time of acquisition in the government-wide financial statements.

Principal payments in the current fiscal year totaled \$13,252. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments at year-end.

<u>Fiscal Year</u>	<u>Lease Payments</u>
2004	\$ 12,716
2005	12,717
2006	<u>8,101</u>
<i>Total minimum lease payments</i>	33,534
<i>Less: amount representing interest</i>	<u>(3,141)</u>
<i>Present value of minimum lease payments</i>	<u>\$ 30,393</u>

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

Northeast Ohio Network for Educational Technology (NEOnet) is the computer service organization or Data Acquisition Site (DAS) used by the Service Center. NEOnet is an association of public districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs NEOnet. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The Service Center does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from the general fund. During the current fiscal year the Service Center contributed a nominal amount to NEOnet.

Notes to the Basic Financial Statements

NOTE 15 - CONTINGENCIES

A. Grants:

The Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Service Center at year-end.

B. Other Contingencies:

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

NOTE 16 - FUND DEFICITS

As of June 30, 2003, two funds had a deficit fund balance. These deficits were caused by the application of generally accepted accounting principles. The general fund provides advances to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following special revenue funds had deficits at year-end:

<i>Fund</i>	<i>Amount</i>
<i>Management Information Systems</i>	\$ 34
<i>Public School Preschool</i>	420

NOTE 17 - OPERATING LEASE

The Service Center (the "Lessee") has entered into an operating lease, for a 10-year period commencing on July 1, 2002. The lease is with the Cuyahoga Falls City School District Board of Education (the "Lessor") for facilities to house the offices and functions of the Service Center. The annual sum of lease payments will total \$98,247, which will be made in monthly installments of \$8,187. Either party upon one year's advance written notice, with the termination date being June 30, can initiate the early termination of this lease. However, the Lessor agrees that it shall not have the right to terminate the lease until the beginning of the third year of the lease.

NOTE 18 - COMPLIANCE

Contrary to the Ohio Revised Code Section 5705.41(D), the Service Center did not certify certain expenditures prior to commitment. The Service Center will implement procedures to assure certification is made, including the issuance of "then and now" certificates, prior to incurring obligations.

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Combining Statements

Combining Statements – Nonmajor Funds

Nonmajor Special Revenue Funds

Special revenue funds are established to account for revenues from specific sources which legally, or otherwise, are restricted to expenditures for specific purposes. A description of the Service Center's special revenue funds follows:

Other Local

To account for funds received from individuals and member districts, in which there are no trust agreements, to be used for preschool field trips, math in-services and continuous improvement projects.

Miscellaneous Local Grants

To account for funds received from private organizations that are restricted for specific purposes.

Management Information Systems

To account for state funds provided to assist the Service Center in implementing a staff, student, and financial reporting system as mandated by the Omnibus Education Reform Act of 1989.

Public School Preschool

To account for state monies used to assist the Service Center in paying the cost of preschool programs for three and four year olds.

Data Communications

To account for state monies received to provide Ohio Educational Computer Network connections.

SchoolNet Professional Development

To account for a limited number of professional development subsidy grants.

Miscellaneous State Grants

To account for monies received from state agencies which are not classified elsewhere.

Eisenhower

To account for federal funds used to train teachers in new techniques and methodologies in the areas of mathematics and science.

IDEA Grant

To assist local education agencies with educating special education students.

EHA Preschool Grant

To account for federal funds used for the improvement and expansion of services for handicapped children ages three through five years.

Miscellaneous Federal Grants

To account for various monies received through state agencies from the federal government and directly from the federal government which are not classified elsewhere.

Agency Funds

Agency funds are used to account for assets held by the Service Center as an agent for individuals, private organizations, and other governments:

Service Center Agency

To account for those assets held by the Service Center for school districts that participate in a variety of programs. Control of these funds rests solely with the members of each program. The Service Center acts as the fiscal agent of the funds.

NEOnet

To account for the funds associated with the Data Acquisition Site. This is a “fiscal agent” arrangement.

Employee Benefits

To account for those assets held by the Service Center as an agent for individuals. Assets held include items related to payroll transactions.

Summit County Educational Service Center
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	Other Local	Miscellaneous Local Grants	Management Information Systems	Public School Preschool	Data Communications
<u>Assets:</u>					
Equity in pooled cash and cash equivalents	\$ 149,508	\$ 70,248	\$ -	\$ 229	\$ 39,893
Receivables:					
Intergovernmental	-	42,370	-	-	-
Total assets	<u>\$ 149,508</u>	<u>\$ 112,618</u>	<u>\$ -</u>	<u>\$ 229</u>	<u>\$ 39,893</u>
 <u>Liabilities and fund balances:</u>					
<u>Liabilities:</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 131
Accrued wages	-	9,336	-	-	-
Interfund payable	-	25,921	-	-	-
Intergovernmental payable	-	2,496	34	649	-
Deferred revenue	-	20,642	-	-	-
Total liabilities	<u>-</u>	<u>58,395</u>	<u>34</u>	<u>649</u>	<u>131</u>
 <u>Fund balances:</u>					
Reserved for encumbrances	-	33,067	-	227	-
Unreserved, undesignated, reported in special revenue funds	<u>149,508</u>	<u>21,156</u>	<u>(34)</u>	<u>(647)</u>	<u>39,762</u>
Total fund balances (deficits)	<u>149,508</u>	<u>54,223</u>	<u>(34)</u>	<u>(420)</u>	<u>39,762</u>
Total liabilities and fund balances	<u>\$ 149,508</u>	<u>\$ 112,618</u>	<u>\$ -</u>	<u>\$ 229</u>	<u>\$ 39,893</u>

SchoolNet Professional Development	Miscellaneous State Grants	Eisenhower	IDEA Grant	EHA Preschool Grant	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ 2,185	\$ 54,756	\$ -	\$ 3,053	\$ 2,130	\$ -	\$ 322,002
-	-	27,597	-	11,743	-	81,710
<u>\$ 2,185</u>	<u>\$ 54,756</u>	<u>\$ 27,597</u>	<u>\$ 3,053</u>	<u>\$ 13,873</u>	<u>\$ -</u>	<u>\$ 403,712</u>
\$ -	\$ 6,645	\$ -	\$ -	\$ -	\$ -	\$ 6,776
-	-	-	-	-	-	9,336
-	24,301	27,597	-	11,743	-	89,562
-	462	-	-	268	-	3,909
-	-	-	-	-	-	20,642
-	<u>31,408</u>	<u>27,597</u>	-	<u>12,011</u>	-	<u>130,225</u>
-	47,176	-	-	2,130	-	82,600
<u>2,185</u>	<u>(23,828)</u>	-	<u>3,053</u>	<u>(268)</u>	-	<u>190,887</u>
<u>2,185</u>	<u>23,348</u>	-	<u>3,053</u>	<u>1,862</u>	-	<u>273,487</u>
<u>\$ 2,185</u>	<u>\$ 54,756</u>	<u>\$ 27,597</u>	<u>\$ 3,053</u>	<u>\$ 13,873</u>	<u>\$ -</u>	<u>\$ 403,712</u>

Summit County Educational Service Center
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2003

	Other Local	Miscellaneous Local Grants	Management Information Systems	Public School Preschool	Data Communications
<u>Revenues:</u>					
Intergovernmental	\$ -	\$ 84,890	\$ 3,000	\$ 138,240	\$ 36,393
Gifts and donations	-	1,300	-	-	-
Charges for services	10,616	143,036	-	-	-
Total revenues	<u>10,616</u>	<u>229,226</u>	<u>3,000</u>	<u>138,240</u>	<u>36,393</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	-	-	-	-	-
Special	599	41,661	-	125,515	-
Adult/Continuing	-	-	-	-	-
Support services:					
Pupils	-	75	-	43,954	-
Instructional staff	16	147,804	-	-	-
Administration	-	3,105	-	-	-
Fiscal	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	131
Central	16,600	5,403	3,013	1,000	-
Total expenditures	<u>17,215</u>	<u>198,048</u>	<u>3,013</u>	<u>170,469</u>	<u>131</u>
Net change in fund balances	(6,599)	31,178	(13)	(32,229)	36,262
Fund balances (deficit), beginning of year	156,107	23,045	(21)	31,809	3,500
Fund balances (deficit), end of year	<u>\$ 149,508</u>	<u>\$ 54,223</u>	<u>\$ (34)</u>	<u>\$ (420)</u>	<u>\$ 39,762</u>

<u>SchoolNet Professional Development</u>	<u>Miscellaneous State Grants</u>	<u>Eisenhower</u>	<u>IDEA Grant</u>	<u>EHA Preschool Grant</u>	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 3,250	\$ 424,600	\$ 27,597	\$ 5,000	\$ 46,926	\$ 12,050	\$ 781,946
-	-	-	-	-	-	1,300
-	-	-	-	-	-	153,652
<u>3,250</u>	<u>424,600</u>	<u>27,597</u>	<u>5,000</u>	<u>46,926</u>	<u>12,050</u>	<u>936,898</u>
-	-	50	-	-	-	50
-	-	-	-	48,503	-	216,278
-	48,034	-	-	-	-	48,034
-	-	-	-	7,390	-	51,419
1,960	152,919	8,882	1,947	-	777	314,305
-	137,728	-	-	-	-	140,833
-	37,300	-	-	-	-	37,300
-	-	-	-	-	-	131
-	-	-	-	-	17,600	43,616
<u>1,960</u>	<u>375,981</u>	<u>8,932</u>	<u>1,947</u>	<u>55,893</u>	<u>18,377</u>	<u>851,966</u>
1,290	48,619	18,665	3,053	(8,967)	(6,327)	84,932
895	(25,271)	(18,665)	-	10,829	6,327	188,555
<u>\$ 2,185</u>	<u>\$ 23,348</u>	<u>\$ -</u>	<u>\$ 3,053</u>	<u>\$ 1,862</u>	<u>\$ -</u>	<u>\$ 273,487</u>

Summit County Educational Service Center
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2003

	Beginning Balance July 1, 2002	Additions	Deductions	Ending Balance June 30, 2003
<u>Service Center Agency</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 98,062	\$ -	\$ 3,897	\$ 94,165
Intergovernmental receivable	-	7,200	-	7,200
Total assets	<u>\$ 98,062</u>	<u>\$ 7,200</u>	<u>\$ 3,897</u>	<u>\$ 101,365</u>
<u>Liabilities:</u>				
Undistributed monies	<u>\$ 98,062</u>	<u>\$ 3,303</u>	<u>\$ -</u>	<u>\$ 101,365</u>
<u>NEOnet</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 1,592,582	\$ -	\$ 226,814	\$ 1,365,768
Accounts receivable	24,131	-	24,131	-
Intergovernmental receivable	15,711	33,273	-	48,984
Total assets	<u>\$ 1,632,424</u>	<u>\$ 33,273</u>	<u>\$ 250,945</u>	<u>\$ 1,414,752</u>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ 6,794	\$ -	\$ 6,794
Accrued wages	27,710	-	1,155	26,555
Intergovernmental payable	6,643	1,284	-	7,927
Undistributed monies	1,598,071	-	224,595	1,373,476
Total liabilities	<u>\$ 1,632,424</u>	<u>\$ 8,078</u>	<u>\$ 225,750</u>	<u>\$ 1,414,752</u>
<u>Employee Benefits</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	<u>\$ 18,265</u>	<u>\$ -</u>	<u>\$ 2,640</u>	<u>\$ 15,625</u>
<u>Liabilities:</u>				
Intergovernmental payable	<u>\$ 18,265</u>	<u>\$ -</u>	<u>\$ 2,640</u>	<u>\$ 15,625</u>
<u>Total Agency Funds</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 1,708,909	\$ -	\$ 233,351	\$ 1,475,558
Accounts receivable	24,131	-	24,131	-
Intergovernmental receivable	15,711	40,473	-	56,184
Total assets	<u>\$ 1,748,751</u>	<u>\$ 40,473</u>	<u>\$ 257,482</u>	<u>\$ 1,531,742</u>
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ 6,794	\$ -	\$ 6,794
Accrued wages	27,710	-	1,155	26,555
Intergovernmental payable	24,908	1,284	2,640	23,552
Undistributed monies	1,696,133	3,303	224,595	1,474,841
Total liabilities	<u>\$ 1,748,751</u>	<u>\$ 11,381</u>	<u>\$ 228,390</u>	<u>\$ 1,531,742</u>

**Individual Fund Schedules of Revenues,
Expenditures and Changes in Fund Balance –
Budget (Non-GAAP Basis) and Actual**

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 2,397,041	\$ 2,577,490	\$ 180,449
Interest	78,579	78,580	1
Tuition and fees	334,555	340,068	5,513
Charges for services	3,938,076	3,849,621	(88,455)
Miscellaneous	44,006	36,680	(7,326)
Total revenues	<u>6,792,257</u>	<u>6,882,439</u>	<u>90,182</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular:			
Fringe benefits	65	65	-
Purchased services	93,770	4,624	89,146
Materials and supplies	52,736	8,998	43,738
Total regular	<u>146,571</u>	<u>13,687</u>	<u>132,884</u>
Special:			
Salaries and wages	1,516,913	1,467,586	49,327
Fringe benefits	399,584	385,600	13,984
Purchased services	94,003	55,781	38,222
Materials and supplies	4,866	4,796	70
Total special	<u>2,015,366</u>	<u>1,913,763</u>	<u>101,603</u>
Vocational:			
Salaries and wages	43,451	43,123	328
Fringe benefits	27,916	24,015	3,901
Purchased services	5,559	-	5,559
Materials and supplies	877	-	877
Total vocational	<u>77,803</u>	<u>67,138</u>	<u>10,665</u>
Total instruction	<u>2,239,740</u>	<u>1,994,588</u>	<u>245,152</u>
Support services:			
Pupils:			
Salaries and wages	1,258,595	1,258,065	530
Fringe benefits	278,104	277,858	246
Purchased services	179,066	125,128	53,938
Materials and supplies	7,005	6,146	859
Other	55	55	-
Total pupils	<u>1,722,825</u>	<u>1,667,252</u>	<u>55,573</u>

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Instructional staff:			
Salaries and wages	1,344,845	1,301,733	43,112
Fringe benefits	299,207	296,509	2,698
Purchased services	275,205	117,324	157,881
Materials and supplies	52,563	44,083	8,480
Capital outlay - new	10,731	10,703	28
Other	10,325	10,217	108
Total instructional staff	1,992,876	1,780,569	212,307
Board of governors:			
Salaries and wages	6,320	4,160	2,160
Fringe benefits	1,402	659	743
Purchased services	15,128	13,915	1,213
Materials and supplies	1,944	1,199	745
Other	22,250	22,055	195
Total Board of governors	47,044	41,988	5,056
Administration:			
Salaries and wages	248,025	243,814	4,211
Fringe benefits	62,613	59,679	2,934
Purchased services	411,858	180,860	230,998
Materials and supplies	1,000	676	324
Other	5,120	5,100	20
Total administration	728,616	490,129	238,487
Fiscal:			
Salaries and wages	127,259	127,225	34
Fringe benefits	42,754	42,030	724
Purchased services	3,150	2,291	859
Materials and supplies	2,187	1,923	264
Other	47,705	35,791	11,914
Total fiscal	223,055	209,260	13,795
Business:			
Salaries and wages	9,100	8,160	940
Fringe benefits	1,479	1,457	22
Purchased services	11,875	11,518	357
Materials and supplies	42,679	36,380	6,299
Capital outlay - new	6,500	4,021	2,479
Other	125	125	-
Total business	71,758	61,661	10,097

(Continued)

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Operation and maintenance of plant:			
Purchased services	125,820	111,646	14,174
Materials and supplies	4,554	3,104	1,450
Capital outlay - new	12,878	12,745	133
Total operation and maintenance of plant	<u>143,252</u>	<u>127,495</u>	<u>15,757</u>
Central:			
Salaries and wages	133,427	133,051	376
Fringe benefits	28,668	28,663	5
Purchased services	83,926	45,171	38,755
Materials and supplies	800	489	311
Total central	<u>246,821</u>	<u>207,374</u>	<u>39,447</u>
Total support services	<u>5,176,247</u>	<u>4,585,728</u>	<u>590,519</u>
Total expenditures	<u>7,415,987</u>	<u>6,580,316</u>	<u>835,671</u>
Excess of revenues over (under) expenditures	<u>(623,730)</u>	<u>302,123</u>	<u>925,853</u>
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	-	455	455
Advances in	66,525	66,525	-
Advances out	(100,000)	(89,562)	10,438
Total other financing sources (uses)	<u>(33,475)</u>	<u>(22,582)</u>	<u>10,893</u>
Net change in fund balance	(657,205)	279,541	936,746
Fund balance at beginning of year	3,717,659	3,717,659	-
Prior year encumbrances appropriated	88,455	88,455	-
Fund balance at end of year	<u>\$ 3,148,909</u>	<u>\$ 4,085,655</u>	<u>\$ 936,746</u>

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
 Budget (Non-GAAP Basis) and Actual
 Other Local Fund
 For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Charges for services	\$ -	\$ 10,616	\$ 10,616
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Purchased services	945	599	346
Support services:			
Instructional staff:			
Purchased services	16	16	-
Central:			
Purchased services	145,974	16,600	129,374
Materials and supplies	7	-	7
Capital outlay - new	9,166	-	9,166
Total central	155,147	16,600	138,547
Total support services	155,163	16,616	138,547
Total expenditures	156,108	17,215	138,893
Net change in fund balance	(156,108)	(6,599)	149,509
Fund balance at beginning of year	156,108	156,108	-
Fund balance at end of year	\$ -	\$ 149,509	\$ 149,509

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
 Budget (Non-GAAP Basis) and Actual
 Miscellaneous Local Grants Fund
 For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 92,127	\$ 63,162	\$ (28,965)
Gifts and donations	500	1,300	800
Charges for services	150,990	143,036	(7,954)
Total revenues	<u>243,617</u>	<u>207,498</u>	<u>(36,119)</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Salaries and wages	32,586	25,957	6,629
Fringe benefits	5,922	4,710	1,212
Purchased services	16,880	15,697	1,183
Materials and supplies	1,500	1,500	-
Capital outlay - new	800	743	57
Other	3,000	3,000	-
Total instruction	<u>60,688</u>	<u>51,607</u>	<u>9,081</u>
Support services:			
Pupils:			
Purchased services	691	75	616
Instructional staff:			
Salaries and wages	27,731	22,908	4,823
Fringe benefits	10,348	7,806	2,542
Purchased services	156,417	120,492	35,925
Materials and supplies	15,132	13,932	1,200
Total instructional staff	<u>209,628</u>	<u>165,138</u>	<u>44,490</u>
Administration:			
Purchased services	3,105	3,105	-
Central:			
Capital outlay - new	5,403	5,403	-
Total support services	<u>218,827</u>	<u>173,721</u>	<u>45,106</u>
Total expenditures	<u>279,515</u>	<u>225,328</u>	<u>54,187</u>
Excess of revenues over (under) expenditures	<u>(35,898)</u>	<u>(17,830)</u>	<u>18,068</u>

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
Miscellaneous Local Grants Fund
For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Other financing sources (uses):</u>			
Advances in	25,921	25,921	-
Advances out	(7,650)	(7,650)	-
Total other financing sources (uses)	18,271	18,271	-
Net change in fund balance	(17,627)	441	18,068
Fund balance at beginning of year	17,010	17,010	-
Prior year encumbrances appropriated	19,731	19,731	-
Fund balance at end of year	<u>\$ 19,114</u>	<u>\$ 37,182</u>	<u>\$ 18,068</u>

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
 Budget (Non-GAAP Basis) and Actual
 Management Information Systems Fund
 For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 3,000	\$ 3,000	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Central:			
Salaries and wages	3,000	3,000	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
 Budget (Non-GAAP Basis) and Actual
 Public School Preschool Fund
 For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 138,405	\$ 138,240	\$ (165)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Salaries and wages	92,397	92,397	-
Fringe benefits	19,632	19,632	-
Purchased services	1,546	1,546	-
Materials and supplies	11,801	11,801	-
Total instruction	125,376	125,376	-
Support services:			
Pupils:			
Purchased services	43,954	43,954	-
Central:			
Purchased services	1,000	1,000	-
Total support services	44,954	44,954	-
Total expenditures	170,330	170,330	-
Net change in fund balance	(31,925)	(32,090)	(165)
Fund balance at beginning of year	31,925	31,925	-
Prior year encumbrances appropriated	165	165	-
Fund balance at end of year	\$ 165	\$ -	\$ (165)

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
Data Communications Fund
For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 36,393	\$ 36,393	\$ -
<u>Expenditures:</u>			
Total expenditures	-	-	-
Net change in fund balance	36,393	36,393	-
Fund balance at beginning of year	3,500	3,500	-
Fund balance at end of year	\$ 39,893	\$ 39,893	\$ -

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
 Budget (Non-GAAP Basis) and Actual
 SchoolNet Professional Development Fund
 For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 3,390	\$ 3,250	\$ (140)
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff:			
Purchased services	4,145	1,960	2,185
Net change in fund balance	(755)	1,290	2,045
Fund balance at beginning of year	755	755	-
Prior year encumbrances appropriated	140	140	-
Fund balance at end of year	<u>\$ 140</u>	<u>\$ 2,185</u>	<u>\$ 2,045</u>

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
 Budget (Non-GAAP Basis) and Actual
 Miscellaneous State Grants Fund
 For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 424,600	\$ 424,600	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Adult/continuing:			
Purchased services	24,611	24,611	-
Materials and supplies	26,241	26,241	-
Total instruction	50,852	50,852	-
Support services:			
Instructional staff:			
Purchased services	188,183	188,183	-
Administration:			
Salaries and wages	58,689	57,876	813
Fringe benefits	9,624	9,501	123
Purchased services	59,894	59,894	-
Materials and supplies	2,670	2,670	-
Capital outlay - new	17,500	17,500	-
Total administration	148,377	147,441	936
Fiscal:			
Purchased services	37,300	37,300	-
Total support services	373,860	372,924	936
Total expenditures	424,712	423,776	936
Excess of revenues under expenditures	(112)	824	936
<u>Other financing sources (uses):</u>			
Advances in	24,511	24,301	(210)
Advances out	(24,399)	(24,399)	-
Total other financing sources (uses)	112	(98)	(210)
Net change in fund balance	-	726	726
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	211	211	-
Fund balance at end of year	\$ 211	\$ 937	\$ 726

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
 Budget (Non-GAAP Basis) and Actual
 Eisenhower Fund
 For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 37,149	\$ -	\$ (37,149)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular:			
Materials and supplies	50	50	-
Support services:			
Instructional staff:			
Purchased services	4,860	4,528	332
Materials and supplies	3,154	3,154	-
Other	1,200	1,200	-
Total instructional staff	9,214	8,882	332
Total expenditures	9,264	8,932	332
Excess of revenues under expenditures	27,885	(8,932)	(36,817)
<u>Other financing sources:</u>			
Advances in	-	27,597	27,597
Advances out	(27,885)	(27,885)	-
Total other financing sources (uses)	(27,885)	(288)	27,597
Net change in fund balance	-	(9,220)	(9,220)
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	9,220	9,220	-
Fund balance at end of year	\$ 9,220	\$ -	\$ (9,220)

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
 Budget (Non-GAAP Basis) and Actual
 IDEA Grant Fund
 For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 5,000	\$ 5,000	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff:			
Purchased services	3,000	-	3,000
Materials and supplies	2,000	1,947	53
Total instructional staff	5,000	1,947	3,053
Net change in fund balance	-	3,053	3,053
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ 3,053	\$ 3,053

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
 Budget (Non-GAAP Basis) and Actual
 EHA Preschool Grant Fund
 For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 53,148	\$ 52,850	\$ (298)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Salaries and wages	35,082	35,082	-
Fringe benefits	5,799	5,799	-
Materials and supplies	10,065	10,065	-
Total instruction	50,946	50,946	-
Support services:			
Pupils:			
Salaries and wages	6,325	6,325	-
Fringe benefits	1,029	1,029	-
Total pupils	7,354	7,354	-
Total support services	7,354	7,354	-
Total expenditures	58,300	58,300	-
Excess of revenues over (under) expenditures	(5,152)	(5,450)	(298)
<u>Other financing sources (uses):</u>			
Advances in	11,743	11,743	-
Advances out	(6,591)	(6,591)	-
Total other financing sources (uses)	5,152	5,152	-
Net change in fund balance	-	(298)	(298)
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	298	298	-
Fund balance at end of year	\$ 298	\$ -	\$ (298)

Summit County Educational Service Center

Schedule of Revenues, Expenditures and Changes in Fund Balance-
 Budget (Non-GAAP Basis) and Actual
 Miscellaneous Federal Grants Fund
 For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 12,905	\$ 12,050	\$ (855)
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff:			
Purchased services	565	565	-
Materials and supplies	212	212	-
Total instructional staff	<u>777</u>	<u>777</u>	<u>-</u>
Central:			
Purchased services	750	750	-
Materials and supplies	7,594	7,594	-
Capital outlay - new	9,256	9,256	-
Total central	<u>17,600</u>	<u>17,600</u>	<u>-</u>
Total support services	<u>18,377</u>	<u>18,377</u>	<u>-</u>
Total expenditures	<u>18,377</u>	<u>18,377</u>	<u>-</u>
Net change in fund balance	(5,472)	(6,327)	(855)
Fund balance at beginning of year	5,472	5,472	-
Prior year encumbrances appropriated	855	855	-
Fund balance at end of year	<u>\$ 855</u>	<u>\$ -</u>	<u>\$ (855)</u>

STATISTICAL SECTION

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Summit County Educational Service Center
General Governmental Revenues by Source and Expenditures by Function
Last Ten Fiscal Years (1)

	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000
<u>Revenues:</u>				
Intergovernmental	\$ 3,359,436	\$ 2,752,119	\$ 3,847,665	\$ 5,256,585
Interest	78,544	125,806	298,361	269,925
Tuition and fees	362,000	426,351	306,903	345,943
Gifts and donations	1,300			
Charges for services	3,958,308	3,939,763	3,877,888	2,701,100
Miscellaneous	37,135	36,842	207,030	76,196
Total revenues	<u>\$ 7,796,723</u>	<u>\$ 7,280,881</u>	<u>\$ 8,537,847</u>	<u>\$ 8,649,749</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	\$ 11,623	\$ 56,809	\$ 35,611	\$ 80,920
Special	2,105,228	1,898,949	1,684,129	1,471,551
Vocational	59,879	175,364	185,644	362,991
Adult/continuing	48,034			
Support services:				
Pupils	1,699,325	1,774,633	1,879,575	1,583,520
Instructional staff	2,053,197	1,926,673	2,049,960	3,272,104
Board of governors	31,145	19,352	23,068	24,080
Administration	610,079	579,382	554,911	441,680
Fiscal	246,439	209,279	218,938	219,127
Business	53,568	42,980	53,732	65,241
Operation and maintenance of plant	96,325	219,863	115,575	1,305,568
Pupil transportation	-	11,874	11,189	23,049
Central	250,746	477,840	328,806	253,313
Community services	-	-	-	852
Extracurricular activities	-	-	2,311	2,175
Capital outlay	-	-	2,327	1,110
Debt service:				
Principal retirement	13,252	11,236	6,694	29,349
Interest and fiscal charges	2,359	2,361	1,429	1,217
Total expenditures	<u>\$ 7,281,199</u>	<u>\$ 7,406,595</u>	<u>\$ 7,153,899</u>	<u>\$ 9,137,847</u>

Source: FY1994 Service Center financial records; FY1995 - FY2003 Service Center Audit Reports

Note: General government includes the general fund and all special revenue fund types. These funds have been redefined with the implementation of GASB Statement No. 34, beginning with the Fiscal Year Ended June 30, 2002.

(1) FY1994 is reported on a cash basis; subsequent years are on a modified accrual GAAP basis.

Full accrual basis will be reported when there are enough years of information available to make comparisons.

<u>Fiscal Year Ended June 30, 1999</u>	<u>Fiscal Year Ended June 30, 1998</u>	<u>Fiscal Year Ended June 30, 1997</u>	<u>Fiscal Year Ended June 30, 1996</u>	<u>Fiscal Year Ended June 30, 1995</u>	<u>Fiscal Year Ended June 30, 1994</u>
\$ 7,014,005	\$ 7,833,745	\$ 5,328,802	\$ 4,358,049	\$ 3,858,352	\$ 3,722,853
276,738	142,546	75,196	58,354	41,540	14,920
221,641	274,707	332,772	246,049	17,874	16,333
2,260,906	1,650,305	1,028,464	1,286,739	1,195,585	1,324,262
282,422	87,810	-	-	-	-
<u>\$ 10,055,712</u>	<u>\$ 9,989,113</u>	<u>\$ 6,765,234</u>	<u>\$ 5,949,191</u>	<u>\$ 5,113,351</u>	<u>\$ 5,078,368</u>
\$ 86,115	\$ 309,287	\$ 69,646	\$ 73,409	\$ 196,161	\$ 251,223
959,153	831,090	536,933	726,379	763,597	541,491
540,220	487,390	494,721	236,331	187,042	153,635
2,282,164	1,633,010	1,488,750	1,609,820	1,536,842	1,411,975
2,677,485	2,459,005	2,591,182	2,406,964	1,874,795	1,190,167
38,178	19,072	19,912	24,268	22,360	11,354
556,977	1,102,981	538,532	526,276	523,303	375,363
256,703	265,432	171,943	192,833	161,365	141,037
41,757	32,959	49,946	54,387	52,082	44,443
1,609,638	119,804	42,495	82,764	80,373	80,811
22,791	21,047	20,861	20,881	-	28,051
679,853	254,114	255,177	287,676	108,254	435,579
3,286	16,400	3,837	15,000	42,995	27,877
36,237	1,571	-	1,166	991	1,618
2,864	2,704	1,864	-	-	319
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 9,793,421</u>	<u>\$ 7,555,866</u>	<u>\$ 6,285,799</u>	<u>\$ 6,258,154</u>	<u>\$ 5,550,160</u>	<u>\$ 4,694,943</u>

Summit County Educational Service Center

General Fund Cash Balance History

Last Ten Fiscal Years (1)

	<u>June 30, 2003</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Fund balance, unreserved	\$ 3,642,819	3,261,798	3,156,582	1,435,835
Total fund balance	\$ 3,793,060	3,349,468	3,617,874	1,907,785
Cash balance	\$ 4,245,869	3,806,111	3,451,044	2,486,780
Cash balance: less encumbrances	\$ 4,104,774	3,718,441	3,395,583	2,422,315

Source: FY1994 Service Center financial records; FY1995 - FY2003 Service Center Audit Reports

(1) FY1994 is reported on a cash basis; subsequent years are on a modified accrual GAAP basis.

Full accrual basis will be reported when there are enough years of information available to make comparisons.

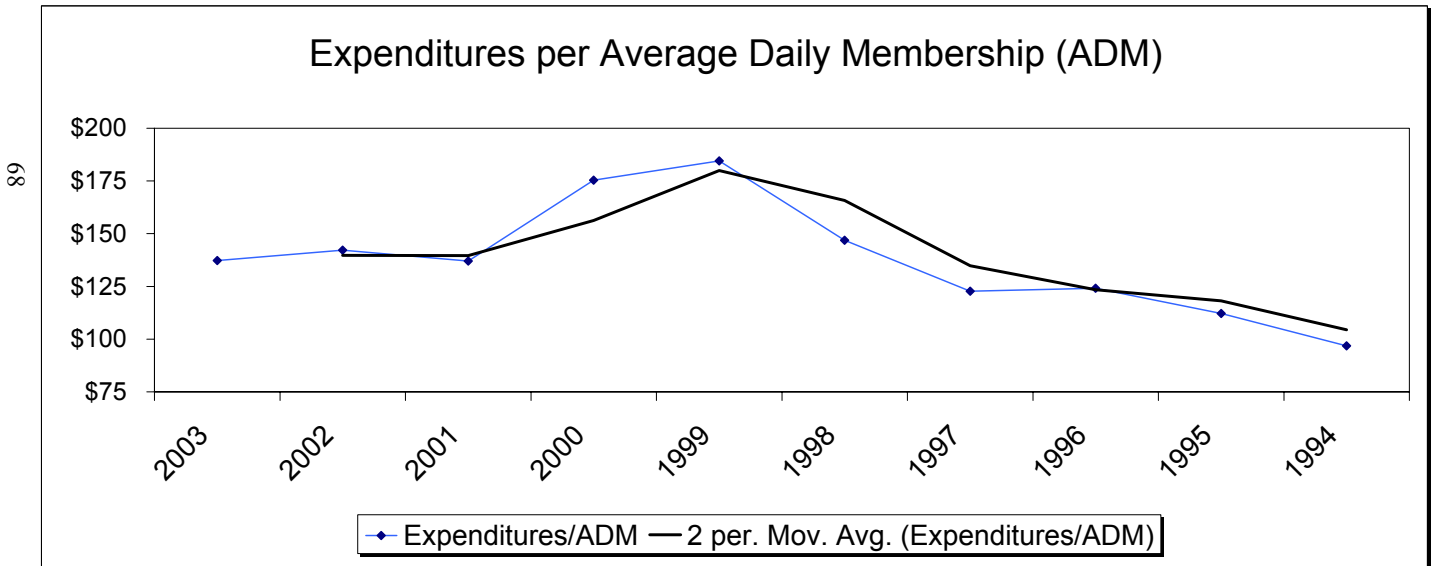
NOTE: The general fund has been redefined with the implementation of GASB Statement No. 34, beginning with the Fiscal Year Ended June 30, 2002.

N/A- No fund balance or fund equity due to amounts reported on cash basis only.

<u>June 30, 1999</u>	<u>June 30, 1998</u>	<u>June 30, 1997</u>	<u>June 30, 1996</u>	<u>June 30, 1995</u>	<u>June 30, 1994</u>
966,470	440,924	(178,884)	(434,963)	(219,035)	N/A
1,238,107	862,301	124,746	(333,058)	(96,246)	N/A
1,557,876	1,188,726	635,018	356,788	288,842	662,362
1,421,260	909,906	410,957	97,528	158,520	595,596

Summit County Educational Service Center
Expenditures Per Average Daily Membership (ADM)
Last Ten Fiscal Years

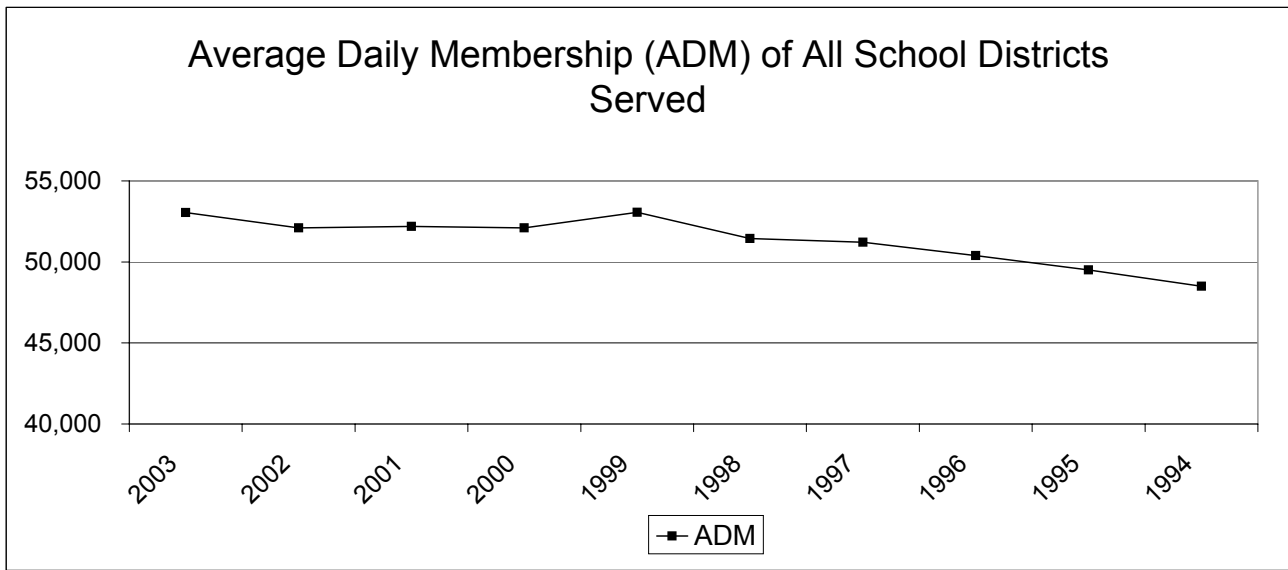
Fiscal Year Ended June 30	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
(1) Expenditures	\$ 7,281,199	\$ 7,406,595	\$ 7,153,899	\$ 9,137,847	\$ 9,793,421	\$ 7,555,866	\$ 6,285,799	\$ 6,258,154	\$ 5,550,160	\$ 4,694,943
(2) ADM	53,040	52,096	52,191	52,104	53,064	51,439	51,210	50,392	49,505	48,495
Expenditures/ADM	\$ 137	\$ 142	\$ 137	\$ 175	\$ 185	\$ 147	\$ 123	\$ 124	\$ 112	\$ 97



(1) Source: FY1994 Service Center financial records; FY1995 - FY2003 Service Center Audit Reports
(2) Source: Annual Financial Report of the Board of Governors (ADU/ODE 4502 reports)

Summit County Educational Service Center
Average Daily Membership (ADM) of All School Districts Served
Last Ten Fiscal Years

Fiscal Year Ended June 30	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
ADM	53,040	52,096	52,191	52,104	53,064	51,439	51,210	50,392	49,505	48,495
Percent Change	1.81%	-0.18%	0.17%	-1.81%	3.16%	0.45%	1.62%	1.79%	2.08%	21.92%



Summit County Educational Service Center

Miscellaneous Statistics - School Districts Served

Last Three Fiscal Years (1)

Fiscal Year Ended June 30,	Barberton City School District			Copley-Fairlawn City School District		
	2002	2001	2000	2002	2001	2000
Fall Enrollment	4,252	4,162	4,233	3,000	2,992	2,875

Demographic Data:

Average Income	\$ 24,398	\$ 25,688	\$ 27,135	\$ 41,108	\$ 42,126	\$ 40,691
Property Valuation/Pupil	100,187	86,840	85,161	246,854	216,549	226,607

Fiscal Data:

Effective Mills	25.14	29.32	25.97	31.30	28.57	27.36
Average Teacher Salary	\$ 43,341	\$ 41,990	\$ 42,607	\$ 51,149	\$ 48,982	\$ 46,977

Staff Data:

Percent of Teachers With No Degree	N/A	N/A	2.56%	N/A	N/A	-
Percent of Teachers With Bachelor Degree	N/A	N/A	43.20%	N/A	N/A	52.31
Percent of Teachers With Masters Degree	N/A	N/A	54.22%	N/A	N/A	47.68
Average Teacher Experience (yrs.)	N/A	N/A	N/A	N/A	N/A	N/A

Output:

Pupil Attendance Rate	93.50	93.30	92.60	96.20	96.10	96.10
Graduation Rate	78.00	71.60	77.00	96.80	61.20	90.20

Fiscal Year Ended June 30,	Nordonia Hills City School District			Norton City School District		
	2002	2001	2000	2002	2001	2000
Fall Enrollment	3,640	3,588	3,608	2,544	2,515	2,457

Demographic Data:

Average Income	\$ 39,329	\$ 40,282	\$ 38,051	\$ 31,457	\$ 34,469	\$ 35,045
Property Valuation/Pupil	232,739	209,099	202,823	111,347	103,981	100,227

Fiscal Data:

Effective Mills	25.71	27.48	27.93	26.51	29.38	29.44
Average Teacher Salary	\$ 46,020	\$ 45,546	\$ 44,354	\$ 45,166	\$ 42,795	\$ 42,339

Staff Data:

Percent of Teachers With No Degree	N/A	N/A	0.00%	N/A	N/A	8.36
Percent of Teachers With Bachelor Degree	N/A	N/A	63.92%	N/A	N/A	60.04
Percent of Teachers With Masters Degree	N/A	N/A	36.07%	N/A	N/A	31.58
Average Teacher Experience (yrs.)	N/A	N/A	N/A	N/A	N/A	N/A

Output:

Pupil Attendance Rate	95.50	95.50	95.80	95.00	95.20	95.10
Graduation Rate	95.80	90.20	91.20	92.90	88.90	87.60

Source: Ohio Department of Education, Summit County Fiscal Officer, Ohio Department of Taxation

(1) Information is not available for fiscal year 2003 due to this year still being under audit for some schools.

Coventry Local School District			Cuyahoga Falls City School District			Green Local School District		
2002	2001	2000	2002	2001	2000	2002	2001	2000
2,416	2,397	2,364	5,154	5,217	5,256	3,927	3,930	3,790
\$ 30,517	\$ 31,663	\$ 32,101	\$ 31,257	\$ 32,825	\$ 34,505	\$ 35,574	\$ 36,856	\$ 38,003
119,833	133,542	100,285	153,588	134,289	136,438	148,560	123,754	130,582
24.03	28.60	28.61	28.39	26.24	26.23	34.36	34.98	34.40
\$ 40,167	\$ 40,687	\$ 39,429	\$ 42,728	\$ 41,796	\$ 41,004	\$ 45,890	\$ 44,554	\$ 43,223
N/A	N/A	-	N/A	N/A	-	N/A	N/A	1.16
N/A	N/A	77.00	N/A	N/A	60.23	N/A	N/A	51.16
N/A	N/A	22.99	N/A	N/A	39.76	N/A	N/A	47.66
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
94.00	94.00	93.50	94.60	94.30	95.30	96.50	96.70	96.40
91.80	93.60	95.90	88.90	82.80	84.40	94.30	94.10	89.90
Revere Local School District			Springfield Local School District			Stow-Munroe Falls City School District		
2002	2001	2000	2002	2001	2000	2002	2001	2000
2,769	2,779	2,788	2,950	2,959	3,193	5,749	5,757	5,805
\$ 47,913	\$ 47,818	\$ 46,881	\$ 28,490	\$ 29,326	\$ 28,358	\$ 37,749	\$ 38,771	\$ 38,204
278,996	238,244	237,472	139,203	127,432	113,714	152,519	131,545	131,419
29.52	33.26	27.50	30.83	31.90	32.48	35.38	32.80	33.50
\$ 52,451	\$ 52,375	\$ 47,429	\$ 45,577	\$ 42,079	\$ 40,574	\$ 48,978	\$ 47,433	\$ 45,324
N/A	N/A	-	N/A	N/A	-	N/A	N/A	0.00
N/A	N/A	60.49	N/A	N/A	66.34	N/A	N/A	81.33
N/A	N/A	39.52	N/A	N/A	33.65	N/A	N/A	18.66
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
95.60	95.40	95.80	93.50	93.40	93.30	94.80	94.50	94.30
97.80	93.90	94.70	84.90	75.90	75.80	94.80	92.90	88.80

(Continued)

Summit County Educational Service Center

Miscellaneous Statistics - School Districts Served

Last Three Fiscal Years (1)

Fiscal Year Ended June 30,	Hudson City School District			Manchester Local School District		
	2002	2001	2000	2002	2001	2000
Fall Enrollment	5,266	5,304	5,172	1,424	1,430	1,420

Demographic Data:

Average Income	\$ 58,139	\$ 59,796	\$ 58,191	\$ 31,975	\$ 33,877	\$ 32,599
Property Valuation/Pupil	166,023	145,010	149,843	121,509	99,440	105,201

Fiscal Data:

Effective Mills	37.72	41.30	41.42	27.11	30.60	30.74
Average Teacher Salary	\$ 54,409	\$ 52,312	\$ 50,283	\$ 43,998	\$ 42,645	\$ 42,196

Staff Data:

Percent of Teachers With No Degree	N/A	N/A	0.00%	N/A	N/A	2.40
Percent of Teachers With Bachelor Degree	N/A	N/A	34.26%	N/A	N/A	65.05
Percent of Teachers With Masters Degree	N/A	N/A	65.73%	N/A	N/A	32.54
Average Teacher Experience (yrs.)	N/A	N/A	N/A	N/A	N/A	N/A

Output:

Pupil Attendance Rate	95.90	95.70	95.40	95.50	95.10	95.20
Graduation Rate	97.40	96.60	96.40	96.40	92.10	90.80

Fiscal Year Ended June 30,	Tallmadge City School District			Twinsburg City School District		
	2002	2001	2000	2002	2001	2000
Fall Enrollment	2,677	2,684	2,574	3,768	3,771	3,530

Demographic Data:

Average Income	\$ 33,962	\$ 36,442	\$ 34,896	\$ 41,610	\$ 42,921	\$ 43,187
Property Valuation/Pupil	148,202	129,752	135,673	230,279	212,362	212,857

Fiscal Data:

Effective Mills	32.56	35.04	28.99	32.27	35.26	29.17
Average Teacher Salary	\$ 46,329	\$ 44,474	\$ 43,171	\$ 49,290	\$ 45,798	\$ 46,124

Staff Data:

Percent of Teachers With No Degree	N/A	N/A	0.00%	N/A	N/A	0.88
Percent of Teachers With Bachelor Degree	N/A	N/A	57.31%	N/A	N/A	57.93
Percent of Teachers With Masters Degree	N/A	N/A	42.68%	N/A	N/A	41.18
Average Teacher Experience (yrs.)	N/A	N/A	N/A	N/A	N/A	N/A

Output:

Pupil Attendance Rate	95.80	95.60	95.80	95.70	95.50	95.90
Graduation Rate	91.60	89.60	90.50	93.20	89.50	91.60

Source: Ohio Department of Education, Summit County Fiscal Officer, Ohio Department of Taxation

(1) Information is not available for fiscal year 2003 due to this year still being under audit for some schools.

Mogadore Local School District		
2002	2001	2000
837	850	832
\$ 30,709	\$ 31,539	\$ 30,148
135,929	143,837	122,787
29.32	32.29	32.28
\$ 43,319	\$ 41,190	\$ 40,751
N/A	N/A	4.46
N/A	N/A	62.01
N/A	N/A	33.51
N/A	N/A	N/A
95.60	95.60	95.40
91.20	92.90	95.50

Woodridge Local School District		
2002	2001	2000
1,723	1,710	1,632
\$ 38,885	\$ 38,479	\$ 39,472
268,689	235,531	245,392
30.73	32.40	32.90
\$ 43,338	\$ 42,425	\$ 39,158
N/A	N/A	-
N/A	N/A	75.23
N/A	N/A	24.76
N/A	N/A	N/A
94.80	94.20	94.60
85.70	90.90	87.60

Total/Highest/Lowest All Districts Served					
2002		2001		2000	
52,096		52,191		52,104	
<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
\$ 58,139	\$ 24,398	\$ 59,796	\$ 25,688	\$ 58,191	\$ 27,135
278,996	100,187	238,244	86,840	245,392	85,161
37.72	24.03	41.30	26.24	41.42	25.97
\$ 54,409	\$ 40,167	\$ 52,375	\$ 40,687	\$ 50,283	\$ 39,158
-	-	-	-	8.36	-
-	-	-	-	81.33	0.34
-	-	-	-	47.68	0.36
-	-	-	-	-	-
96.10	93.30	96.70	93.30	96.40	92.60
96.60	71.60	96.60	61.20	96.40	75.80

Summit County Educational Service Center

Property Values, Bank Deposits and Construction

Last Ten Fiscal Years

<u>Year</u>	<u>Total Assessed Values</u>	<u>Certified Bank Deposits</u>	<u>Value of Building Permits Issued</u>
2002	\$ 10,628,577	N/A (1)	\$ 188,448
2001	10,506,016	N/A (1)	513,216
2000	9,650,738	\$ 7,156,344	801,385
1999	9,412,700	7,071,487	799,751
1998	9,164,288	5,749,282	751,858
1997	9,118,858	5,153,519	706,833
1996	8,859,290	4,353,857	646,156
1995	7,550,357	4,267,009	652,677
1994	7,381,330	4,199,905	631,375
1993	7,171,949	3,792,255	554,749

NOTE: The Service Center is not a taxing authority. This is presented for the area in which the school districts served by the Service Center are located. 2003 information is not available as the years presented are on a calendar year.

Sources:

Total Assessed Value - Summit County Fiscal Officer

Financial Institution Deposits - Akron Clearing House, 1997-2000 Cleveland Federal Reserve

Building Permits - County of Summit Executive's Building Department

(1) This information is no longer provided by local banking industries



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SUMMIT COUNTY EDUCATIONAL SERVICE CENTER

SUMMIT 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
JANUARY 27, 2004**