
**SUMMIT COUNTY
EDUCATIONAL SERVICE CENTER
SUMMIT COUNTY, OHIO
COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

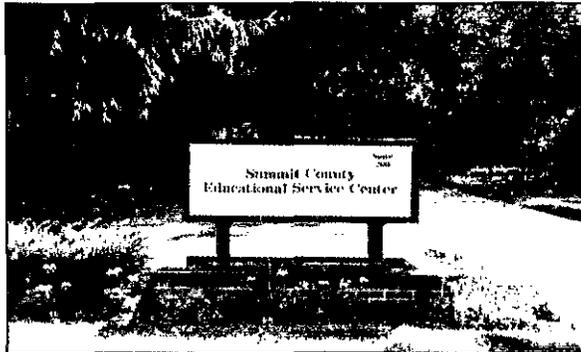


FOR THE YEAR ENDED JUNE 30, 1999

Summit County Educational Service Center

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 1999



PREPARED BY:
MARK PAPROCKI and
TREASURER'S OFFICE STAFF

Summit County Educational Service Center
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 1999

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INTRODUCTORY SECTION





Summit County Educational Service Center

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October 25, 1999

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 (ESC) for the fiscal year ending June 30, 1999 is hereby submitted. This report, prepared by the Fiscal Office, includes financial statements, supplemental statements, and other financial and statistical information to provide complete and full disclosure of all material financial aspects of the ESC for the 1998-1999 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 ESC 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 and account groups of the ESC.

This CAFR, which includes an opinion from Lennon & Company, CPA, conforms to generally accepted accounting principles as set forth by the Governmental Accounting Standards Board (GASB) and is representative of the ESC's commitment to provide meaningful information to its' stakeholders.

This CAFR is presented in three sections:

The Introductory Section, which is unaudited, includes a table of contents, this transmittal letter, a list of principal officials, and the ESC's organizational chart.

The Financial Section, includes the report of independent accountants, the general purpose financial statements and explanatory notes, and combining and individual fund financial statements of which the combining and individual fund financial statements are unaudited.

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

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, county offices of education would be known as "Educational Service Centers" governed by a "Governing Board" 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 county-type of school organizations of this nature can provide advantages of economy of scale without the disadvantages of "bigness."

Since the early 1990's, the ESC can 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. *Nine city districts have affiliated under this provision for the 1999-2000 school year, bringing the total of school districts directly served to sixteen (approx. 52,000 students).*

Districts Served

The Summit County Educational Service Center serves a student population of approximately 52,000 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 ESC 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 ESC.

Organization

The Board of Governors 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 cycle and three in the following cycle. Two members will be elected in November 1999.

The Board sets policy and enters into contracts, and may serve in a judicial capacity to resolve disputes involving the organization. The Board appoints the Superintendent and the Treasurer. All other staff are 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 ESC and is responsible directly to the Board for all operations. The current Superintendent is Ed VandenBulke who has served in this position since September 1998. His current contract extends until August 2001.

The Chief Fiscal Officer/Treasurer is the chief fiscal officer of the ESC and is responsible directly to the Board for all financial operations and serves as Secretary to the Board. The current Chief Fiscal Officer/Treasurer is Mark Paprocki, who has served in this position since August 1995. His current contract extends until the Organizational meeting in January 2002.

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 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 for teachers through this office are among the most comprehensive in the State.

With the support of the State Legislature, the ESC established an Instructional Technology Center in 1994 with the purpose of extending technology into all Summit County classrooms. The Instructional Technology Center has five major goals: 1) involving 200 teachers annually in an intensive eighty-five hour Technology Academy; 2) demonstrating and providing preview and evaluation services for hardware, software and instructional strategies using technology; 3) curriculum development projects integrating technology; 4) collaboration and dissemination of information on technology projects and training opportunities; and 5) providing electronic communication services, including Internet access, to Summit County educators.

The ESC, in collaboration with eighteen school districts, three universities and other public and parochial partners, is the recipient of a United States Department of Educational "Technology Learning Challenge Grant". The grant of \$6.8 million over five years (1995-2000) will provide for curriculum and technology integration within the consortium. This program has been titled *The NEW³ Project*.

Ohio legislation requires school districts to have a Continuous Improvement Plan (CIP). In response to this requirement, the ESC 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 Center for Leadership in School Reform System Standards. Analysis of Proficiency Test data is also a major component of the ESC's efforts in this area. New services are also being developed to assist districts in this process.

The ESC operates the state funded media library for Summit County. All schools, private and public, are able to borrow video tapes, CD-ROMS and laser discs for classroom use from this library 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://hcca0.hcca.ohio.gov>.

Pupil Personnel

The ESC provides services to school districts to assist them in providing services to special needs and at-risk populations. Services provided directly to students and families are: Attendance/Tuancy, Psychological Testing and Individual Education Plans, Speech & Language Therapy.

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

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

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 ESC. To that end the Summit County ESC 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 ESC's cooperative and regional approach. Through this approach the ESC has the capacity to facilitate and manage projects in a manner that would not be otherwise possible. The 6.8 million Federal Challenge, is one of the major benefits of this approach. Some of the other vital benefits are the ESC's ability to: 1) serve as a neutral convener; 2) provide consortium/Partnerships formation and facilitation; 3) provide fiscal agency for grants, projects and NEOnet (a data acquisition site for school districts) and 4) provide legislative workshops.

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

INITIATIVES

In September 1998 Mr. Ed VandenBulke was appointed Superintendent of the ESC. He had previously held the position of Assistant Superintendent of Stow Munroe Falls City Schools. He joins a team of experienced administrators at the ESC. During the fiscal year the administrative team focused on establishing their working relationship, reviewing existing services and service delivery, and restructuring the office to be better able to respond to changing service needs.

A *Continuous Improvement Plan (CIP)* service was developed in response to Ohio legislation that will require school districts to have such plans. The ESC showed adeptness in being able to offer the service in the year before the districts are required to have their CIP. Our districts were very receptive to the service as evidenced by fifteen of the sixteen districts choosing to participate. The Summit CIP initiative is based on the *System Standards for Continuous Improvement, developed by the Center for Leadership in School Reform (CLSR) in Louisville, Kentucky*. The ESC was familiar with this framework, as it has had a long-term relation with CLSR.

In late fiscal 1999 the ESC conducted a pilot project with Coventry schools that extends the CIP work into the next phase. This pilot, *Data Collection Analysis and Feedback (DCAF)*, proved successful. For fiscal year 2000 two districts have contracted for the service and others will be solicited until we reach internal capacity. This project is an in-depth evaluation of school systems with emphasis on student achievement goals.

The leadership academies developed by the ESC continued in fiscal year 1999. In addition to established academies, an aspiring superintendent's academy was launched in the summer of 1999. The academies are designed to build leadership capacity in school districts especially in this time of great change.

A Teacher Leadership Project team was formed in fiscal year 1999. This is an innovative effort called "Shifting the Focus: Examining Student Work to Inform Teacher Practice". It is a reflective process in which student work is examined to promote the growth of teachers and students. It's basis in proven research revolves around the concept of continuous refinement. Through reflective planning, implementation, and analysis, educators can plan for, not hope for, student intellectual engagement. The ESC has continued the project for a second year as an implementation phase. Also, a unique feature of this project is that teacher leaders staff it. They are on assignment to the ESC, and the ESC is paying the district for their services. This enables teachers who are in the practice to design the project.

The statewide Hazardous Waste Removal project completed it second year. This project is designed to have hazardous materials removed from schools, especially hazardous chemicals in science labs. The project makes it possible for all schools in Ohio to remove these substances at state expense. This will help to insure the future safety of students. In fiscal year 2000 the project will be winding down. Most schools in the state will have participated.

ECONOMIC CONDITION AND OUTLOOK

Summit County has been historically associated with the rubber industry. Although there has been a steady decrease in the number of hourly workers, this has been offset to a large degree by an increase in salaried workers in these industries. Goodyear Tire & Rubber is the largest employer in the county with a workforce of approximately 4,700.

The County is headquarters for four corporations with annual sales or revenues of more than one billion dollars each. These are Goodyear Tire & Rubber Company, Caliber Systems, Inc. (formerly Roadway services, Inc.), First Energy (Formerly Ohio Edison Company), and GenCorp (formally General Tire and Rubber Company).

The unemployment rate in 1998 was 4.0%, down from 4.4% the previous year. This compares favorably to the State rate of 4.3% and the National rate of 4.4% in 1998. The workforce is transitioning from manufacturing to service industries and this mirrors the National trend.

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

In education, Twinsburg City School District opened a new high school that includes a recreation center financed by the city government. Currently Barberton City School District is constructing a new high school that is financed by the Barberton Foundation, requiring no tax funding.

In summarizing the County's economic outlook, a continuation of positive growth is expected.

FINANCIAL INFORMATION

The ESC's accounting system is organized on a "fund" basis. Each fund and account group is a distinct, self-balancing accounting entity. Reports for general governmental operations and expendable trust funds are presented on the modified accrual basis whereby revenues are recognized when measurable and available, and expenditures are recognized when goods and services are received. Reports of the ESC's proprietary operations are presented on the accrual basis whereby revenues are recognized when earned and expenses when incurred.

Internal Controls

The management of the ESC is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the ESC are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (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 ESC 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 ESC and annual reviews by the ESC's independent auditors.

Budgetary Controls

The ESC 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 Education. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by function and object of expenditure within an individual fund. The ESC 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 reappropriated.

General Governmental Functions

The governmental funds encompass the General, Special Revenue, Capital Project and Fiduciary Funds of the ESC.

The following schedule presents a summary of revenues for all Governmental Funds for fiscal year ended June 30, 1999, and the amount and percentage of increases (decreases) in relation to the 1998 fiscal year.

Revenues by Source	1997-98 Amount	1998-99 Amount	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
Intergovernmental	\$ 7,833,745	\$ 7,014,005	69.75%	\$ (819,740)	-10.46%
Interest	142,546	276,738	2.75%	134,192	94.14%
Tuition and fees	270,300	221,641	2.20%	(48,659)	-18.00%
Services provided to other entities	1,650,305	2,260,906	22.48%	610,601	37.00%
Classroom materials and fees	4,407	-	0.00%	(4,407)	-100.00%
Miscellaneous	87,810	282,422	2.81%	194,612	221.63%
Total	<u>\$ 9,989,113</u>	<u>\$ 10,055,712</u>	<u>100.00%</u>	<u>\$ 66,599</u>	<u>0.67%</u>

Interest rates during the year have been relatively stable with little increase in certificate of deposit rates. An overnight sweep account in repurchase agreements enabled the ESC to maximize interest earnings by investing daily cash balances at a locally competitive rate with STAR (State Treasury Asset Reserve) Ohio.

The following schedule presents a summary of expenditures for all Governmental Funds for the fiscal year ended June 30, 1999, and the amount and percentage of increases (decreases) in relation to the 1998 fiscal year.

Expenditures by Function	1997-98 Amount	1998-99 Amount	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
Regular Instruction	\$ 309,287	\$ 86,115	0.88%	\$ (223,172)	-72.16%
Special Instruction	831,090	959,153	9.79%	128,063	15.41%
Vocational Instruction	487,390	540,220	5.52%	52,830	10.84%
Pupil Support	1,633,010	2,282,164	23.30%	649,154	39.75%
Instructional Staff	2,459,005	2,677,485	27.34%	218,480	8.88%
Board of Education	19,072	38,178	0.39%	19,106	100.18%
Administration	1,102,981	556,977	5.69%	(546,004)	-49.50%
Fiscal	265,432	256,703	2.62%	(8,729)	-3.29%
Business	32,959	41,757	0.43%	8,798	26.69%
Plant Operations	119,804	1,609,638	16.44%	1,489,834	1243.56%
Pupil Transportation	21,047	22,791	0.23%	1,744	8.29%
Central	254,114	679,853	6.94%	425,739	167.54%
Community Service	16,400	3,286	0.03%	(13,114)	-79.96%
Extracurricular	1,571	36,237	0.37%	34,666	2206.62%
Capital Outlay	2,704	2,864	0.03%	160	5.92%
Total	<u>\$ 7,555,866</u>	<u>\$ 9,793,421</u>	<u>100.00%</u>	<u>\$ 2,237,555</u>	<u>29.61%</u>

Significant activity in the major funds of each Governmental Fund Type is highlighted below.

General Fund

The ESC ended the 1998-1999 fiscal year with a General Fund unencumbered cash balance of \$1,421,259.

Special Revenue Funds

The Special Revenue Funds account for revenue derived primarily from grants and entitlements restricted by law to expenditures for specific purposes, or other formal actions to expend for a specific purpose. For the fiscal year ended June 30, 1999, Special Revenue Funds had combined revenues of \$4,698,981 and expenditures of \$4,950,822. Carry-over funds of \$642,191 from fiscal year 1998 contributed to the additional funds available for expenditure in fiscal year 1999.

Capital Projects Funds

The Capital Projects Funds are used to account for all transactions related to acquiring, constructing or improving of capital assets. During the year \$108,348 was expended.

Internal Service Funds

The Internal Service Fund accounted for by the ESC in 1998-1999 was the Rotary fund. During the fiscal year 1999, the Rotary fund showed an operating income of \$17,274.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the ESC in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust and agency funds.

General Fixed Assets

The General Fixed Assets of the ESC are used to carry on the main functions of the ESC and as such are not financial resources available for expenditure. The total General Fixed Assets at June 30, 1999 was \$757,581. These assets are accounted for at historical cost. Depreciation is not recognized on General Fixed Assets.

CASH MANAGEMENT

The ESC's approach to the cash management program has been more aggressive during 1998-1999 with the use of certificates of deposit. Due to increase in cash reserves, a program of laddering Certificates of Deposit was instituted. Certificates are purchased to establish an amount due monthly and investing for approximately 180 days to achieve this. This is designed to provide liquidity needed and hedging against market rate fluctuations. Total amount of interest earned was \$276,738.

Protection of the ESC'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 110% of the total deposits, to secure the repayment of all public moneys deposited in a financial institution. A detailed description of the ESC's investment functions is described in Note 4 to the financial statements.

RISK MANAGEMENT

As a political subdivision, the ESC 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 County leases the building and maintains the liability and loss insurance.

The ESC offers health insurance benefits to full time employees. The ESC pays 80% of the cost of the health insurance. Dental insurance is also offered to full time employees, with the employee paying 100% of the rate. The ESC belongs to the Stark County Council of Governments (COG) Health Plan. The COG holds the assets of the plan. The ESC pays a monthly premium to the plan and shares in ownership. The plan is fully funded and the ESC is not at risk.

All employees of the ESC are covered by worker's compensation. Effective January 1, 1995, the ESC 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

All ESC employees are covered by the statewide School Employees Retirement System of Ohio (SERS), or the State Teachers Retirement System (STRS). The ESC's employer contributions to both systems are based on a percentage of employees' salaries. State law requires the ESC to pay the employer share as determined by each retirement system, currently fourteen percent. ESC contributions for 1999 were \$362,872 as the employer portion to STRS and \$203,289 in employer contributions to SERS.

OTHER INFORMATION

Independent Audit

Provisions of State statute require the ESC's financial statements to be subjected to an annual examination by an independent auditor. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133. Lennon & Company performed the audit for the period ended June 30, 1999. The auditor's unqualified opinion rendered on the ESC's general purpose financial statements, and their report on the combining and individual fund statements and schedules, is included in the financial section of this Comprehensive Annual Financial Report.

GFOA Certificate of Achievement

The District has submitted this report for consideration of the Governmental Finance Officers' Association of the United States and Canada (GFOA) award for Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standard. Such reports 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 standard required by the Certificate of Achievement program.

Acknowledgments

Publication of this report significantly increases the accountability of the ESC to the taxpayers. Without the support and efforts of the Treasurer's office and various administrators and staff of the ESC, 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,



Ed VandenBulke
Superintendent



Mark Paprocki
Chief Fiscal Officer

Summit County Educational Service Center
Public Officials Roster
Year Ended June 30, 1999

Board of Education

Ms. Karla Beech	President
Ms. Alyce Altwies	Vice President
Ms. Bonnie Bowman	Member
Ms. Deborah Owens-Fink	Member
Mr. David C. Reilly	Member

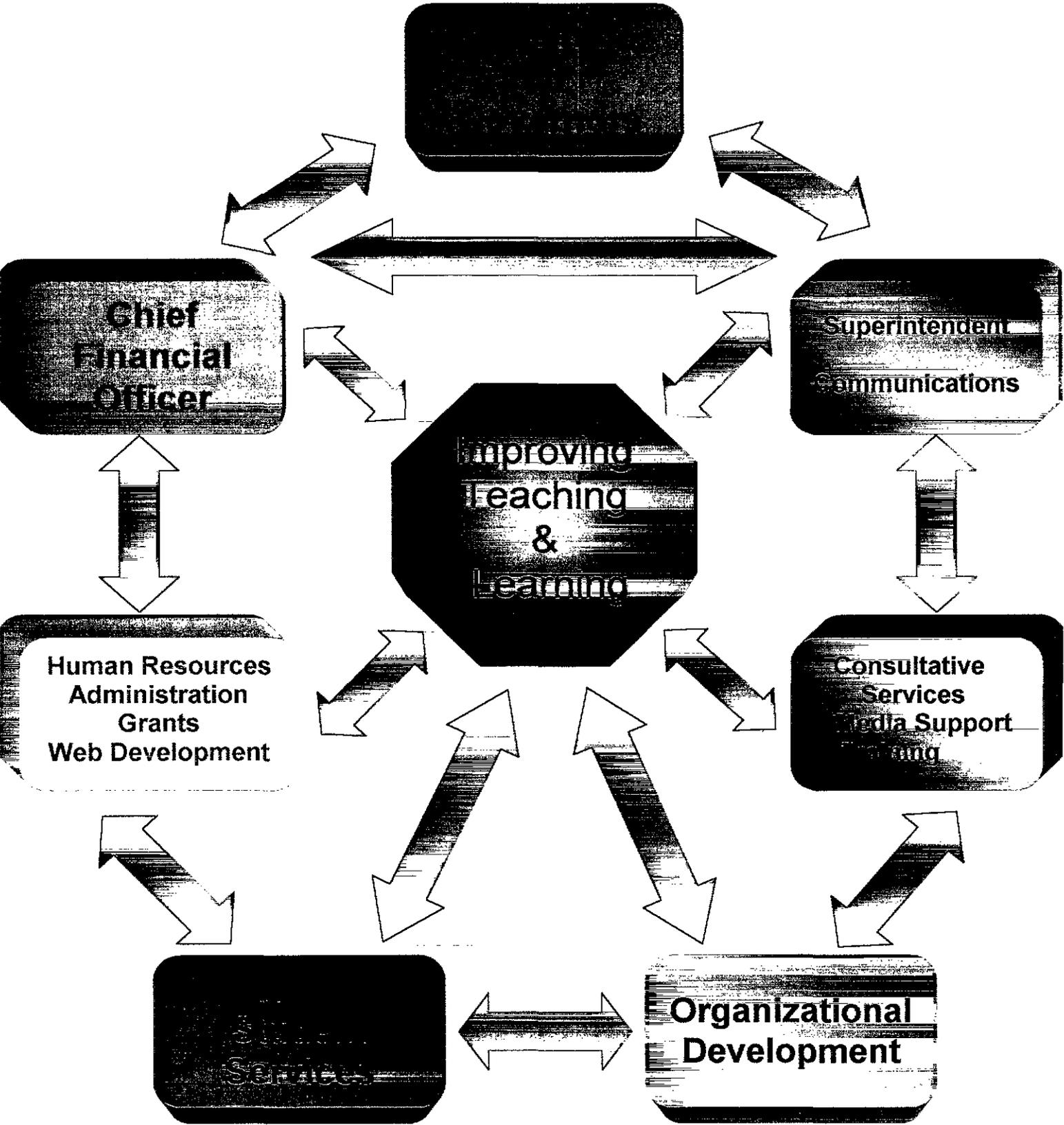
Chief Fiscal Officer

Mr. Mark Paprocki

Administration

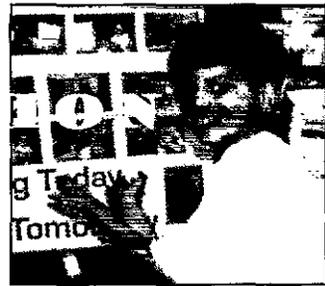
Mr. Ed VandenBulke	Superintendent
Dr. Gay Fawcett	Director of Curriculum & Instructional Technology
Mr. Dave Lupe	Director of Pupil Personnel Services
Mr. Steve Snyder	Director of Organizational Development

Summit County Educational Service Center
Organization Chart



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FINANCIAL SECTION





STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

Members of the Governing Board
Summit County Educational Service Center
Cuyahoga Falls, Ohio 44221

We have reviewed the Independent Auditor's Report of the Summit County Educational Service Center, Summit County, prepared by Lennon & Company, for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Summit County Educational Service Center is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO
Auditor of State

January 13, 2000

INDEPENDENT AUDITOR'S REPORT

Members of the Governing Board
Summit County Educational Service Center
Cuyahoga Falls, Ohio 44221

We have audited the accompanying general purpose financial statements of Summit County Educational Service Center, as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of Summit County Educational Service Center's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Summit County Educational Service Center, as of June 30, 1999, and the results of its operations and the cash flows of its internal service fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 1999 on our consideration of Summit County Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Summit County Educational Service Center. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the general purpose financial statements of Summit County Educational Service Center. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The statistical section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Summit County Educational Service Center. Such information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and therefore we express no opinion thereon.

Lennon & Company

Lennon & Company
Certified Public Accountant
October 25, 1999



**Summit County Educational Service Center
 Combined Balance Sheet
 All Fund Types and Account Groups
 As of June 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Internal Service
<u>Assets and other debits:</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 1,557,876	\$ 1,780,074	\$ 190,007	\$ 96,191
Receivables:				
Accounts	80	-	-	-
Intergovernmental	116,671	57,874	-	4,375
Accrued interest	36,090	-	-	-
Interfund receivable	165,216	-	-	-
Prepaid items	2,678	-	-	-
Materials and supplies inventory	4,905	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
<u>Other debits:</u>				
Amount to be provided from general government resources	-	-	-	-
Total assets and other debits	\$ 1,883,516	\$ 1,837,948	\$ 190,007	\$ 100,566
<u>Liabilities, fund equity and other credits:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 19,957	\$ 364,623	\$ -	\$ 1,543
Accrued wages	196,703	5,762	-	-
Compensated absences payable	17,127	5,400	-	-
Interfund payable	-	165,216	-	-
Intergovernmental payable	351,467	57,533	-	-
Deferred revenue	60,155	-	-	-
Undistributed monies	-	-	-	-
Capital leases payable	-	-	-	-
Total liabilities	645,409	598,534	-	1,543
<u>Fund equity and other credits:</u>				
Investment in general fixed assets	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	99,023
Fund balance:				
Reserved for encumbrances	115,191	1,115,894	43,600	-
Reserved for inventory	4,905	-	-	-
Reserved for prepaid items	2,678	-	-	-
Reserved for budget reserve	148,863	-	-	-
Reserved for contingencies	250,000	-	-	-
Unreserved, undesignated	716,470	123,520	146,407	-
Total fund equity and other credits	1,238,107	1,239,414	190,007	99,023
Total liabilities, fund equity and other credits	\$ 1,883,516	\$ 1,837,948	\$ 190,007	\$ 100,566

See accompanying notes to the general purpose financial statements

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$ 1,773,900	\$ -	\$ -	\$ 5,398,048
-	-	-	80
27,060	-	-	205,980
-	-	-	36,090
-	-	-	165,216
491	-	-	3,169
-	-	-	4,905
-	767,063	-	767,063
-	-	324,646	324,646
<u>\$ 1,801,451</u>	<u>\$ 767,063</u>	<u>\$ 324,646</u>	<u>\$ 6,905,197</u>

\$ 43,588	\$ -	\$ -	\$ 429,711
2,698	-	-	205,163
-	-	296,429	318,956
-	-	-	165,216
11,892	-	-	420,892
-	-	-	60,155
1,407,511	-	-	1,407,511
-	-	28,217	28,217
<u>1,465,689</u>	<u>-</u>	<u>324,646</u>	<u>3,035,821</u>
-	767,063	-	767,063
-	-	-	99,023
-	-	-	1,274,685
-	-	-	4,905
-	-	-	2,678
-	-	-	148,863
-	-	-	250,000
335,762	-	-	1,322,159
<u>335,762</u>	<u>767,063</u>	<u>-</u>	<u>3,869,376</u>
<u>\$ 1,801,451</u>	<u>\$ 767,063</u>	<u>\$ 324,646</u>	<u>\$ 6,905,197</u>

**Summit County Educational Service Center
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 1999**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Revenues:</u>			
Intergovernmental	\$ 2,165,024	\$ 4,698,981	\$ -
Interest	276,738	-	-
Tuition and fees	221,641	-	-
Services provided to other entities	2,260,906	-	-
Miscellaneous	2,632	-	-
Total revenues	4,926,941	4,698,981	-
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	11,980	74,135	-
Special	816,987	140,562	-
Vocational	228,462	309,267	-
Support services:			
Pupils	1,444,037	838,100	-
Instructional staff	1,142,526	1,414,907	108,348
Board of education	38,178	-	-
Administration	399,610	91,329	-
Fiscal	204,245	52,458	-
Business	41,757	-	-
Operation and maintenance of plant	80,840	1,528,798	-
Pupil transportation	-	22,791	-
Central	99,235	478,475	-
Extracurricular activities	674	-	-
Debt service:			
Principal retirement	36,237	-	-
Interest and fiscal charges	2,864	-	-
Total expenditures	4,547,632	4,950,822	108,348
Excess of revenues over (under) expenditures	379,309	(251,841)	(108,348)
<u>Other financing sources (uses):</u>			
Operating transfers in	250,000	-	-
Operating transfers out	(250,000)	(562)	-
Total other financing sources (uses)	-	(562)	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	379,309	(252,403)	(108,348)
Fund balances at beginning of year	862,301	1,491,817	298,355
Decrease in reserve for inventory	(3,503)	-	-
Fund balances at end of year	\$ 1,238,107	\$ 1,239,414	\$ 190,007

Fiduciary Fund	Totals (Memorandum Only)
Expendable Trust	
\$ 150,000	\$ 7,014,005
-	276,738
-	221,641
-	2,260,906
279,790	282,422
<u>429,790</u>	<u>10,055,712</u>
-	86,115
1,604	959,153
2,491	540,220
27	2,282,164
11,704	2,677,485
-	38,178
66,038	556,977
-	256,703
-	41,757
-	1,609,638
-	22,791
102,143	679,853
2,612	3,286
-	36,237
-	2,864
<u>186,619</u>	<u>9,793,421</u>
<u>243,171</u>	<u>262,291</u>
562	250,562
-	(250,562)
<u>562</u>	<u>-</u>
243,733	262,291
92,029	2,744,502
-	(3,503)
<u>\$ 335,762</u>	<u>\$ 3,003,290</u>

**Summit County Educational Service Center
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances - Budget and Actual
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 1999**

	Governmental Fund Types		
	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Intergovernmental	\$ 2,417,519	\$ 2,161,422	\$ (256,097)
Interest	160,000	240,648	80,648
Tuition and fees	183,292	238,792	55,500
Services provided to other entities	3,429,001	3,451,563	22,562
Miscellaneous	-	-	-
Total revenues	6,189,812	6,092,425	(97,387)
Expenditures:			
Current:			
Instruction:			
Regular	71,996	71,239	757
Special	829,527	798,847	30,680
Vocational	250,513	240,420	10,093
Support services:			
Pupils	1,569,305	1,444,811	124,494
Instructional staff	1,593,250	1,358,332	234,918
Board of education	47,645	40,424	7,221
Administration	1,580,134	1,340,356	239,778
Fiscal	207,963	204,288	3,675
Business	54,519	42,739	11,780
Operation and maintenance of plant	170,687	136,180	34,507
Pupil transportation	-	-	-
Central	194,833	170,960	23,873
Operation of non-instructional services	-	-	-
Extracurricular activities	-	-	-
Capital outlay	140	-	140
Total expenditures	6,570,512	5,848,596	721,916
Excess of revenues over (under) expenditures	(380,700)	243,829	624,529
Other financing sources (uses):			
Refund of prior year expenditures	2,400	2,632	232
Refund of prior year receipts	-	-	-
Advances in	150,000	151,288	1,288
Advances out	(165,216)	(165,216)	-
Operating transfers in	250,000	250,000	-
Operating transfers out	(250,000)	(250,000)	-
Total other financing sources (uses)	(12,816)	(11,296)	1,520
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(393,516)	232,533	626,049
Fund balances at beginning of year	909,906	909,906	-
Prior year encumbrances appropriated	278,820	278,820	-
Fund balances at end of year	\$ 795,210	\$ 1,421,259	\$ 626,049

Governmental Fund Types

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 6,015,931	\$ 4,748,801	\$ (1,267,130)	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>6,015,931</u>	<u>4,748,801</u>	<u>(1,267,130)</u>	<u>-</u>	<u>-</u>	<u>-</u>
142,047	87,365	54,682	-	-	-
187,675	140,970	46,705	-	-	-
489,468	426,160	63,308	-	-	-
855,542	821,058	34,484	-	-	-
2,606,935	1,998,281	608,654	298,355	116,909	181,446
-	-	-	-	-	-
105,699	105,699	-	-	-	-
52,458	52,458	-	-	-	-
-	-	-	-	-	-
2,701,893	1,889,908	811,985	-	-	-
24,092	22,791	1,301	-	-	-
779,147	511,656	267,491	-	-	-
852	-	852	-	-	-
-	-	-	-	-	-
<u>7,945,808</u>	<u>6,056,346</u>	<u>1,889,462</u>	<u>298,355</u>	<u>116,909</u>	<u>181,446</u>
<u>(1,929,877)</u>	<u>(1,307,545)</u>	<u>622,332</u>	<u>(298,355)</u>	<u>(116,909)</u>	<u>181,446</u>
-	-	-	-	-	-
-	-	-	-	-	-
165,216	165,216	-	-	-	-
(150,434)	(150,434)	-	-	-	-
-	-	-	-	-	-
(562)	(562)	-	-	-	-
<u>14,220</u>	<u>14,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1,915,657)	(1,293,325)	622,332	(298,355)	(116,909)	181,446
642,191	642,191	-	298,355	298,355	-
968,876	968,876	-	-	-	-
<u>\$ (304,590)</u>	<u>\$ 317,742</u>	<u>\$ 622,332</u>	<u>\$ -</u>	<u>\$ 181,446</u>	<u>\$ 181,446</u>

(Continued)

**Summit County Educational Service Center
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances - Budget and Actual
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 1999 - Continued**

	Fiduciary Fund Type		
	Expendable Trust Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Intergovernmental	\$ 150,000	\$ 150,000	\$ -
Interest	-	-	-
Tuition and fees	-	-	-
Services provided to other entities	-	-	-
Miscellaneous	307,072	291,697	(15,375)
Total revenues	457,072	441,697	(15,375)
Expenditures:			
Current:			
Instruction:			
Regular	-	-	-
Special	9,079	1,747	7,332
Vocational	35,849	8,686	27,163
Support services:			
Pupils	268	27	241
Instructional staff	50,599	30,599	20,000
Board of education	-	-	-
Administration	157,100	87,291	69,809
Fiscal	-	-	-
Business	-	-	-
Operation and maintenance of plant	-	-	-
Pupil transportation	-	-	-
Central services	195,000	99,584	95,416
Extracurricular activities	2,891	2,612	279
Capital outlay	-	-	-
Total expenditures	450,786	230,546	220,240
Excess of revenues over (under) expenditures	6,286	211,151	204,865
Other financing sources (uses):			
Refund of prior year expenditures	-	-	-
Refund of prior year receipts	(11,907)	(11,907)	-
Advances in	-	-	-
Advances out	(854)	(854)	-
Operating transfers in	562	562	-
Operating transfers out	-	-	-
Total other financing sources (uses)	(12,199)	(12,199)	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(5,913)	198,952	204,865
Fund balances at beginning of year	116,385	116,385	-
Prior year encumbrances appropriated	1,528	1,528	-
Fund balances at end of year	\$ 112,000	\$ 316,865	\$ 204,865

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 8,583,450	\$ 7,060,223	\$ (1,523,227)
160,000	240,648	80,648
183,292	238,792	55,500
3,429,001	3,451,563	22,562
307,072	291,697	(15,375)
<u>12,662,815</u>	<u>11,282,923</u>	<u>(1,379,892)</u>
214,043	158,604	55,439
1,026,281	941,564	84,717
775,830	675,266	100,564
2,425,115	2,265,896	159,219
4,549,139	3,504,121	1,045,018
47,645	40,424	7,221
1,842,933	1,533,346	309,587
260,421	256,746	3,675
54,519	42,739	11,780
2,872,580	2,026,088	846,492
24,092	22,791	1,301
1,168,980	782,200	386,780
852	-	852
2,891	2,612	279
140	-	140
<u>15,265,461</u>	<u>12,252,397</u>	<u>3,013,064</u>
<u>(2,602,646)</u>	<u>(969,474)</u>	<u>1,633,172</u>
2,400	2,632	- 232
(11,907)	(11,907)	-
315,216	316,504	1,288
(316,504)	(316,504)	-
250,562	250,562	-
(250,562)	(250,562)	-
<u>(10,795)</u>	<u>(9,275)</u>	<u>1,520</u>
(2,613,441)	(978,749)	1,634,692
1,966,837	1,966,837	-
1,249,224	1,249,224	-
<u>\$ 602,620</u>	<u>\$ 2,237,312</u>	<u>\$ 1,634,692</u>

Summit County Educational Service Center
Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	<u>Internal Service</u>
<u>Operating revenues:</u>	
Membership fees	<u>\$ 46,313</u>
<u>Operating expenses:</u>	
Purchased services	22,346
Materials and supplies	6,623
Other operating expenses	70
Total operating expenses	<u>29,039</u>
Operating income	17,274
Retained earnings at beginning of year	<u>81,749</u>
Retained earnings at end of year	<u>\$ 99,023</u>

Summit County Educational Service Center
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999

	<u>Internal Service</u>
<u>Cash flows from operating activities:</u>	
Cash received from other operating sources	\$ 42,438
Cash payments to suppliers for goods and services	<u>(27,496)</u>
Net cash provided by operating activities	<u>14,942</u>
Cash and cash equivalents at beginning of year	<u>81,249</u>
Cash and cash equivalents at end of year	<u>\$ 96,191</u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	<u>\$ 17,274</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(3,875)
Increase (decrease) in liabilities:	
Accounts payable	<u>1,543</u>
Total adjustments	<u>(2,332)</u>
Net cash provided by operating activities	<u>\$ 14,942</u>

Summit County Educational Service Center

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, 1998 was 52,104. The Service Center employed 67 certificated employees and 68 non-certificated employees at that date.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. 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 organizations' 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.

Notes to the General Purpose Financial Statements

The Service Center is associated with the Northeast Ohio Network for Educational Technology, which is defined as a jointly governed organization. Jointly governed organizations are governed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding this organization is presented in Note 13.

B. Basis of Presentation - Fund Accounting

The Service Center uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial 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 recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the Service Center are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the Service Center are financed. The acquisition, use, and balances of the Service Center's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The following are the Service Center's governmental fund types:

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.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary fund).

Proprietary Fund Types:

Proprietary funds are used to account for the Service Center's ongoing activities which are similar to those found in the private sector. The following is the Service Center's proprietary fund type:

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Service Center on a cost reimbursement basis.

Summit County Educational Service Center

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the Service Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the Service Center, other than those accounted for in the proprietary fund.

General Long-term Obligations Account Group - This account group is established to account for all long-term obligations of the Service Center except those accounted for in the proprietary fund.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the Service Center is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements.

Notes to the General Purpose Financial Statements

The Service Center reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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. Principal and interest on general long-term obligations are recorded as fund liabilities when due and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized at the time they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

D. Budgetary Data

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 object level within each function. Any budgetary modifications at this level may only be made by resolution of the Governing Board of the Service Center.

Appropriations:

The Governing Board of the Service Center 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. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Service Center.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed estimated resources. During the year, an annual and final appropriation measure was legally enacted; however, none of these changes were significant.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications. 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.

Summit County Educational Service Center

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

E. 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, including proprietary 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" on the balance sheet. During the fiscal year, investments were limited to overnight repurchase agreements. *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.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. During the fiscal year all investments of the Service Center had a maturity of three months or less.

F. Inventory

Inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. *Inventory consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures when purchased. Reported materials and supplies inventory are equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.*

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Service Center maintains a capitalization threshold of \$1,000. Books, records, movies and other learning aids kept at the Service Center's library are not included for reporting purposes. The Service Center does not possess any infrastructure.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Assets in the general fixed assets account group are not depreciated. The Service Center's policy is not to capitalize interest costs associated with construction.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and all other grant requirements have been met. Grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The Service Center currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Continuous Improvement Planning
Early Childhood
Early Identification
Educational Management Information System
Eisenhower Math and Science
Entry Year Program
Handicapped Preschool
Hazardous Waste
LCI Facilitators
Local Professional Development Committee
Project L.I.F.E.
Special Education Transition
Technical Assistance
Technology Challenge
Training Ohio Parents

Capital Projects

SchoolNet Telecommunity

Summit County Educational Service Center

Grants and entitlements amounted to approximately thirty-eight percent of the Service Center's operating revenue during the current fiscal year.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items.

J. Short-term Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

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. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on Service Center employees who are considered eligible or potentially eligible to retire. The Service Center records a liability for accumulated unused vacation time earned for all employees with more than one year of service.

Accumulated vacation and sick leave of employees paid from governmental funds has been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is recorded in the general long-term obligations account group.

L. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

M. Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

The Service Center records reservations 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, inventory, prepaid items, future appropriations, and contingencies. A reserve for was established by Board resolution No. 99-33 to account for monies held for contingencies.

O. 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.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the Service Center is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Expendable Trust 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 and as note disclosures in the proprietary fund types (GAAP basis).

Summit County Educational Service Center

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

	<i>Excess of Revenues and Other Financing Sources Over (Under)</i>			
	<i>Expenditures and Other Financing Uses</i>			
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
<i>GAAP Basis</i>	\$ 379,309	\$ (252,403)	\$ (108,348)	\$ 243,733
<i>Revenue Accruals</i>	1,319,404	215,036	-	11,907
<i>Expenditure Accruals</i>	(1,329,564)	206,375	35,039	(30,483)
<i>Encumbrances (Budget Basis)</i>				
<i>Outstanding at year end</i>	<u>(136,616)</u>	<u>(1,462,333)</u>	<u>(43,600)</u>	<u>(26,205)</u>
<i>Budget Basis</i>	<u>\$ 232,533</u>	<u>\$ (1,293,325)</u>	<u>\$ (116,909)</u>	<u>\$ 198,952</u>

NOTE 4 - 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.

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

Interim deposits are deposits of interim moneys. Interim moneys are those moneys 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 moneys 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 thirty 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;

Notes to the General Purpose Financial Statements

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); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Protection of the Service Center's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys 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 Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits:

At year-end, the carrying amount of the Service Center's deposits was \$3,243,048, and the bank balance was \$3,732,979. Of the bank balance, \$200,000 was covered by federal depository insurance. \$3,532,979 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Service Center's name.

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 risk. Category 1 includes investments that are insured or registered or for which the securities are held by the Service Center or its agent in the Service Center's name. Category 2 includes uninsured and unregistered investments for which the securities 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 counterparty, 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 the fiscal year 1999 amounted to \$240,648, which includes \$157,749, assigned from other Service Center funds.

The Service Center's investments at year end consisted of overnight repurchase agreements with a fair value of \$2,155,000.

NOTE 5 - RECEIVABLES

Receivables at year-end consisted of accounts, interfund and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the stable condition of State programs, and the current year guarantee of federal funds. The General, Special Revenue, Internal Service and Agency Fund's intergovernmental receivable at June 30, consisted of \$116,671, \$57,874, \$4,375 and \$27,060 respectively.

Summit County Educational Service Center

NOTE 6 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	<i>Balance January 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance December 31</i>
<i>Furniture and Equipment</i>	\$ 710,204	\$ 42,059	\$ -	\$ 752,263
<i>Vehicles</i>	14,800	-	-	14,800
<i>Total</i>	<u>\$ 725,004</u>	<u>\$ 42,059</u>	<u>\$ -</u>	<u>\$ 767,063</u>

NOTE 7 - RISK MANAGEMENT

The Service Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The Service Center is a participant in the Stark County Schools Council ("Council") for the purpose of obtaining benefits at a reduced premium for health care. The insurance program for health care is administered by Mutual Health Services Company and the Aultcare Corporation. 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 8 - 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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Notes to the General Purpose Financial Statements

Plan members are required to contribute nine percent of their annual covered salary and the Service Center is required to contribute an actuarially determined rate of fourteen percent of annual covered payroll. 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, 1999, 1998, and 1997 were \$203,289, \$166,811, and \$128,792, respectively; 100 percent has been contributed for the fiscal years 1999, 1998 and 1997.

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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Service Center is required to contribute an actuarially determined rate of fourteen percent of annual covered payroll. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of ten percent for members and fourteen percent for employers. The Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$362,872, \$344,390, and \$363,272, respectively; no contributions were made for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$362,872, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

NOTE 9 - 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 fourteen percent of covered payroll. The retirement board currently allocates employer contributions equal to eight percent 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 \$207,355 during the 1999 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$2,156 million at June 30, 1998, (latest information available). For the year ended June 30, 1998, the net health care costs paid by the STRS were \$219,224,000 and eligible benefit recipients totaled 91,999.

Summit County Educational Service Center

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of seventy-five percent of the premium. For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to fourteen percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the fourteen percent 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 \$72,313 during the 1999 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998, (latest information available) were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the SERS's net assets available for payment of health care benefits was \$160.3 million. The number of participants receiving health care benefits was approximately 50,000.

NOTE 10 - INTERFUND TRANSACTIONS

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

<i>Interfund receivable/payable</i>		
<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
<i>General</i>	<i>Local grant</i>	\$ 63,462
<i>General</i>	<i>Eisenhower math & science</i>	1,583
<i>General</i>	<i>Vocational education</i>	4,841
<i>General</i>	<i>Miscellaneous Federal Grant</i>	95,330
<i>Total</i>		<u>\$ 165,216</u>

NOTE 11 - LONG TERM OBLIGATIONS

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

	<i>Balance July 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30</i>
<i>General Long-Term Obligations</i>				
<i>Compensated Absences</i>	295,096	1,333	-	296,429
<i>Capital Leases</i>	64,454	-	36,237	28,217
<i>Total General Long-Term Obligations</i>	<u>\$ 359,550</u>	<u>\$ 1,333</u>	<u>\$ 36,237</u>	<u>\$ 324,646</u>

Notes to the General Purpose Financial Statements

NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the Service Center has entered into capitalized leases for the acquisition of computer and 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 Combined Financial Statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group at \$82,364 equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

Principal payments in the current fiscal year totaled \$36,237. 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.

	<i>Lease Payments</i>
2000	\$ 28,989
<i>Less: amount representing interest</i>	<u>(772)</u>
<i>Total</i>	<u>\$ 28,217</u>

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

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. NEONET is governed by a board made up of superintendents from all of the participating districts. 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.

Summit County Educational Service Center

NOTE 14 - 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 March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the Service Center. During the fiscal year ended June 30, 1999, the Service Center received \$12,970,211 of school foundation support for its general fund.

Since the Supreme Court ruling, the Ohio General Assembly has passed numerous pieces of legislation in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the Service Center is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 15 – THE YEAR 2000 ISSUES

The year 2000 is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the Service Center's operations as early as fiscal 1999.

The Service Center has completed an inventory of computer systems and other equipment necessary to conducting Service Center operations and has identified such systems as being financial reporting, payroll and employee benefits, and education management information reporting.

The Service Center currently is assessing the changes needed in the power systems. Systems may have to be remediated, and tested and validated.

Notes to the General Purpose Financial Statements

The Service Center uses the State of Ohio Uniform School Accounting System (USAS) for financial reporting, the Uniform Staff Payroll System (USPS) for payroll and employee benefits, and the Education Management and Information System (EMIS) for educational statistics reporting. The State of Ohio distributes a substantial sum of money to the Service Center in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the Service Center through EMIS. The State is responsible for remediating these systems.

The State is solely responsible for any costs associated with the Foundation processing and EMIS systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Service Center is or will be Year 2000 ready, that the Service Center's remediation efforts will be successful in whole or in part, or that parties with whom the Service Center does business will be year 2000 ready.

NOTE 16 – FUND DEFICITS

As of June 30, 1999, several funds had deficit fund balances. These deficits were caused by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur. The following funds had deficits at year-end:

<i>Special Revenue</i>	<u>Deficit</u>
<i>Excellence in Education</i>	\$ 489
<i>Management Information Systems</i>	17
<i>Vocational Education</i>	4,974
<i>Miscellaneous Federal Grants</i>	73,300



Combining, Individual Fund &
Account Group
Financial Statements & Schedules

GENERAL FUND

The General Fund is used to account for resources traditionally associated with the Service Center which are not required legally or by sound financial management to be accounted for in another fund. These activities include, but are not limited to, general instruction, pupil services, operation and maintenance of facilities, and administration.

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 2,417,519	\$ 2,161,422	\$ (256,097)
Interest	160,000	240,648	80,648
Tuition and fees	183,292	238,792	55,500
Services provided to other entities	3,429,001	3,451,563	22,562
Total revenues	6,189,812	6,092,425	(97,387)
Expenditures:			
Current:			
Instruction:			
Regular:			
Purchased services	71,996	71,239	757
Special:			
Salaries and wages	642,089	623,699	18,390
Fringe benefits	138,354	135,242	3,112
Purchased services	32,021	24,053	7,968
Materials and supplies	12,829	11,736	1,093
Capital outlay - new	4,234	4,117	117
Total special	829,527	798,847	30,680
Vocational:			
Salaries and wages	180,347	179,819	528
Fringe benefits	36,139	33,851	2,288
Purchased services	24,255	23,894	361
Materials and supplies	9,772	2,856	6,916
Total vocational	250,513	240,420	10,093
Support services:			
Pupils:			
Salaries and wages	990,600	990,600	-
Fringe benefits	220,706	188,364	32,342
Purchased services	337,157	250,717	86,440
Materials and supplies	20,842	15,130	5,712
Total pupils	1,569,305	1,444,811	124,494
Instructional staff:			
Salaries and wages	827,044	744,318	82,726
Fringe benefits	189,934	135,644	54,290
Purchased services	472,778	392,800	79,978
Materials and supplies	81,689	67,028	14,661
Capital outlay - new	15,034	12,696	2,338
Capital outlay - replacement	200	-	200
Other	6,571	5,846	725
Total instructional staff	1,593,250	1,358,332	234,918
Board of education:			
Salaries and wages	7,800	5,920	1,880
Fringe benefits	953	953	-
Purchased services	27,348	26,245	1,103
Materials and supplies	550	206	344
Other	10,994	7,100	3,894
Total board of education	47,645	40,424	7,221

(Continued)

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Administration:			
Salaries and wages	216,205	216,205	-
Fringe benefits	55,939	53,798	2,141
Purchased services	1,303,691	1,066,763	236,928
Materials and supplies	1,368	659	709
Other	2,931	2,931	-
Total administration	1,580,134	1,340,356	239,778
Fiscal:			
Salaries and wages	131,611	131,575	36
Fringe benefits	33,862	32,723	1,139
Purchased services	12,470	11,932	538
Materials and supplies	3,740	3,211	529
Capital outlay - new	1,895	1,895	-
Other	24,385	22,952	1,433
Total fiscal	207,963	204,288	3,675
Business:			
Salaries and wages	10,930	7,393	3,537
Fringe benefits	1,189	1,189	-
Purchased services	13,906	10,979	2,927
Materials and supplies	28,219	23,018	5,201
Capital outlay - replacement	275	160	115
Total business	54,519	42,739	11,780
Operation and maintenance of plant:			
Purchased services	94,783	65,591	29,192
Materials and supplies	8,375	3,171	5,204
Capital outlay - new	67,529	67,418	111
Total operation and maintenance of plant	170,687	136,180	34,507
Central:			
Salaries and wages	30,700	30,700	-
Fringe benefits	9,612	8,349	1,263
Purchased services	153,435	131,580	21,855
Materials and supplies	1,086	331	755
Total central	194,833	170,960	23,873
Capital outlay:			
Site improvement services:			
Capital outlay - new	140	-	140
Total expenditures	6,570,512	5,848,596	721,916
Excess of revenues over (under) expenditures	(380,700)	243,829	624,529

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Other financing sources (uses):</u>			
Refund of prior year expenditures	2,400	2,632	232
Advances in	150,000	151,288	1,288
Advances out	(165,216)	(165,216)	-
Operating transfers in	250,000	250,000	-
Operating transfers out	(250,000)	(250,000)	-
Total other financing sources (uses)	<u>(12,816)</u>	<u>(11,296)</u>	<u>1,520</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(393,516)	232,533	626,049
Fund balance at beginning of year	909,906	909,906	-
Prior year encumbrances appropriated	278,820	278,820	-
Fund balance at end of year	<u>\$ 795,210</u>	<u>\$ 1,421,259</u>	<u>\$ 626,049</u>

SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes. The title of each special revenue fund is descriptive of the activities accounted for therein. The special revenue funds are:

Local Grant

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

Excellence in Education

To account for state revenues used for pupil competency assessment and instructional development in English Composition, Mathematics and Reading as required by the minimum standards for Ohio Schools.

Early Childhood Education

To account for receipts and expenditures of state funds used to provide early childhood education programs and other related purposes.

Management Information System

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.

Entry Year Program

To account for state funds which provide for implementation of entry-year programs pursuant to division (T) of section 3317.024 of the Revised Code.

Special Education Transition

To account for state subsidy to assist with the transition of special education funding from units to weighted average.

Miscellaneous State Grants

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

Eisenhower Math and Science

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

Vocational Education

To account for federal funds for cooperating in the development of vocational education programs.

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 Grant

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

Summit County Educational Service Center
Combining Balance Sheet
All Special Revenue Funds
June 30, 1999

	<u>Local Grant</u>	<u>Excellence in Education</u>	<u>Early Childhood Education</u>	<u>Management Information System</u>	<u>Public School Preschool</u>
Assets:					
Assets:					
Equity in pooled cash and cash equivalents	\$ 10,662	\$ -	\$ -	\$ -	\$ 60,311
Receivables:					
Intergovernmental	<u>57,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 68,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,311</u>
Liabilities and fund equity:					
Liabilities:					
Accounts payable	\$ 133	\$ -	\$ -	\$ -	\$ 24,991
Accrued wages	-	-	-	-	-
Compensated absences payable	-	-	-	-	-
Interfund payable	63,462	-	-	-	-
Intergovernmental payable	<u>204</u>	<u>489</u>	<u>-</u>	<u>17</u>	<u>389</u>
Total liabilities	<u>63,799</u>	<u>489</u>	<u>-</u>	<u>17</u>	<u>25,380</u>
Fund equity:					
Fund balance:					
Reserved for encumbrances	9,907	-	-	-	29
Unreserved:					
Undesignated	<u>(5,170)</u>	<u>(489)</u>	<u>-</u>	<u>(17)</u>	<u>34,902</u>
Total fund equity	<u>4,737</u>	<u>(489)</u>	<u>-</u>	<u>(17)</u>	<u>34,931</u>
Total liabilities and fund equity	<u>\$ 68,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,311</u>

<u>Entry Year Program</u>	<u>Special Education Transition</u>	<u>Miscellaneous State Grants</u>	<u>Eisenhower Math/Science</u>	<u>Vocational Education</u>	<u>EHA Preschool Grant</u>	<u>Miscellaneous Federal Grant</u>	<u>Total All Funds</u>
\$ -	\$ -	\$ 1,504,896	\$ 21,763	\$ -	\$ 5,220	\$ 177,222	\$ 1,780,074
-	-	-	-	-	-	-	57,874
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,504,896</u>	<u>\$ 21,763</u>	<u>\$ -</u>	<u>\$ 5,220</u>	<u>\$ 177,222</u>	<u>\$ 1,837,948</u>
\$ -	\$ -	\$ 246,198	\$ 250	\$ -	\$ -	\$ 93,051	\$ 364,623
-	-	2,594	-	-	-	3,168	5,762
-	-	916	-	-	-	4,484	5,400
-	-	-	1,583	4,841	-	95,330	165,216
-	-	55	1,700	133	57	54,489	57,533
-	-	<u>249,763</u>	<u>3,533</u>	<u>4,974</u>	<u>57</u>	<u>250,522</u>	<u>598,534</u>
-	-	368,711	11,047	-	103	726,097	1,115,894
-	-	<u>886,422</u>	<u>7,183</u>	<u>(4,974)</u>	<u>5,060</u>	<u>(799,397)</u>	<u>123,520</u>
-	-	1,255,133	18,230	(4,974)	5,163	(73,300)	1,239,414
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,504,896</u>	<u>\$ 21,763</u>	<u>\$ -</u>	<u>\$ 5,220</u>	<u>\$ 177,222</u>	<u>\$ 1,837,948</u>

Summit County Educational Service Center
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
All Special Revenue Funds
For the Fiscal Year Ended June 30, 1999

	<u>Local Grant</u>	<u>Excellence in Education</u>	<u>Early Childhood Education</u>	<u>Management Information System</u>	<u>Public School Preschool</u>
Revenues:					
Intergovernmental	\$ 57,874	\$ 275,000	\$ -	\$ 3,000	\$ 159,885
Expenditures:					
Current:					
Instruction:					
Regular	-	15,000	-	-	-
Special	29,686	-	-	-	93,839
Vocational	-	-	-	-	-
Support services:					
Pupils	6,837	-	-	-	24,991
Instructional staff	11,614	-	7,302	-	-
Administration	-	-	-	6,017	-
Fiscal	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	222
Pupil transportation	-	-	-	-	22,791
Central	5,000	275,489	-	-	3,500
Total expenditures	53,137	290,489	7,302	6,017	145,343
Excess of revenues over (under) expenditures	4,737	(15,489)	(7,302)	(3,017)	14,542
Other financing uses:					
Operating transfers out	-	-	-	-	-
Excess of revenues over (under) expenditures and other financing uses	4,737	(15,489)	(7,302)	(3,017)	14,542
Fund balances (deficits) at beginning of year	-	15,000	7,302	3,000	20,389
Fund balances (deficits) at end of year	\$ 4,737	\$ (489)	\$ -	\$ (17)	\$ 34,931

<u>Entry Year Program</u>	<u>Special Education Transition</u>	<u>Miscellaneous State Grants</u>	<u>Eisenhower Math/Science</u>	<u>Vocational Education</u>	<u>EHA Preschool Grant</u>	<u>Miscellaneous Federal Grant</u>	<u>Total All Funds</u>
\$ -	\$ 818,636	\$ 1,443,401	\$ 50,093	\$ 34,852	\$ 28,720	\$ 1,827,520	\$ 4,698,981
-	-	-	59,135	-	-	-	74,135
-	-	-	-	133	16,304	600	140,562
-	-	-	-	-	-	309,267	309,267
-	794,077	-	-	-	4,757	7,438	838,100
990	-	9,035	-	34,875	-	1,351,091	1,414,907
-	24,559	-	-	-	-	60,753	91,329
-	-	45,034	-	-	-	7,424	52,458
-	-	1,528,576	-	-	-	-	1,528,798
-	-	-	-	-	-	-	22,791
-	-	17,483	-	-	-	177,003	478,475
990	818,636	1,600,128	59,135	35,008	21,061	1,913,576	4,950,822
(990)	-	(156,727)	(9,042)	(156)	7,659	(86,056)	(251,841)
-	-	-	-	-	(562)	-	(562)
(990)	-	(156,727)	(9,042)	(156)	7,097	(86,056)	(252,403)
990	-	1,411,860	27,272	(4,818)	(1,934)	12,756	1,491,817
\$ -	\$ -	\$ 1,255,133	\$ 18,230	\$ (4,974)	\$ 5,163	\$ (73,300)	\$ 1,239,414

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Local Grant Fund
For the Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 77,466	\$ -	\$ (77,466)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Salaries and wages	26,276	24,902	1,374
Fringe benefits	6,801	4,614	2,187
Materials and supplies	515	30	485
Capital outlay - new	2,039	-	2,039
Total instruction	35,631	29,546	6,085
Support services:			
Pupils:			
Fringe benefits	311	-	311
Purchased services	13,198	12,062	1,136
Total pupils	13,509	12,062	1,447
Instructional staff:			
Salaries and wages	14,598	11,307	3,291
Fringe benefits	2,372	243	2,129
Total instructional staff	16,970	11,550	5,420
Pupil transportation:			
Materials and supplies	200	-	200
Central:			
Purchased services	10,304	10,304	-
Total Support services	40,983	33,916	7,067
Operation of non-instructional services:			
Community services:			
Materials and supplies	852	-	852
Total expenditures	77,466	63,462	14,004
Excess of revenues under expenditures	-	(63,462)	(63,462)
<u>Other financing sources:</u>			
Advances in	63,462	63,462	-
Excess of revenues and other financing sources over expenditures	63,462	-	(63,462)
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ 63,462	\$ -	\$ (63,462)

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Excellence in Education Fund
For the Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 275,000	\$ 275,000	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular:			
Purchased services	2,792	2,792	-
Capital outlay - new	12,208	12,208	-
Total instruction	15,000	15,000	-
Support services:			
Central:			
Salaries and wages	33,600	33,600	-
Fringe benefits	7,560	7,560	-
Purchased services	148,040	148,040	-
Materials and supplies	10,800	10,800	-
Other	75,000	75,000	-
Total central	275,000	275,000	-
Total expenditures	290,000	290,000	-
Excess of revenues under expenditures	(15,000)	(15,000)	-
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	15,000	15,000	-
Fund balance at end of year	\$ -	\$ -	\$ -

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Early Childhood Grant Fund
For the Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff:			
Purchased services	5,030	5,030	-
Materials and supplies	2,272	2,272	-
Total expenditures	7,302	7,302	-
Excess of revenues under expenditures	(7,302)	(7,302)	-
Fund balance at beginning of year	6,922	6,922	-
Prior year encumbrances appropriated	380	380	-
Fund balance at end of year	\$ -	\$ -	\$ -

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Management Information Services Fund
For the Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 3,000	\$ 3,000	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Administration:			
Salaries and wages	6,000	6,000	-
Excess of revenues under expenditures	(3,000)	(3,000)	-
Fund balance at beginning of year	3,000	3,000	-
Fund balance at end of year	\$ -	\$ -	\$ -

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Public School Preschool Grant Fund
For the Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 159,885	\$ 159,885	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Salaries and wages	82,750	68,031	14,719
Fringe benefits	17,616	10,065	7,551
Purchased services	861	770	91
Materials and supplies	18,485	15,531	2,954
Total instruction	119,712	94,397	25,315
Support services:			
Pupils:			
Salaries and wages	3,673	-	3,673
Fringe benefits	606	-	606
Purchased services	25,000	-	25,000
Total pupils	29,279	-	29,279
Pupil transportation:			
Purchased services	23,892	22,791	1,101
Central:			
Salaries and wages	8,086	3,500	4,586
Total Support services	61,257	26,291	34,966
Total expenditures	180,969	120,688	60,281
Excess of revenues over (under) expenditures	(21,084)	39,197	60,281
Fund balance at beginning of year	13,917	13,917	-
Prior year encumbrances appropriated	7,168	7,168	-
Fund balance at end of year	\$ 1	\$ 60,282	\$ 60,281

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Entry Year Programs Fund
For the Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Total revenues	\$ -	\$ -	\$ -
Expenditures:			
Current:			
Instructional staff:			
Purchased services	990	990	-
Excess of revenues under expenditures	(990)	(990)	-
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	990	990	-
Fund balance at end of year	\$ -	\$ -	\$ -

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Special Education Transition Fund
For the Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 818,636	\$ 818,636	\$ -
<u>Expenditures:</u>			
<u>Current:</u>			
Support services:			
Pupils:			
Purchased services	794,077	794,077	-
Administration:			
Other	24,559	24,559	-
Total expenditures	818,636	818,636	-
Excess of revenues over expenditures	-	-	-
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 And Actual - Miscellaneous State Grant Fund
For the Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 1,443,401	\$ 1,443,401	\$ -
Expenditures:			
Current:			
Support services:			
Instructional staff:			
Purchased services	12,494	9,035	3,459
Fiscal:			
Other	45,034	45,034	-
Operation and maintenance of plant:			
Salaries and wages	120,660	80,023	40,637
Fringe benefits	26,970	13,243	13,727
Purchased services	2,207,683	1,794,480	413,203
Materials and supplies	10,121	1,251	8,870
Capital outlay - new	911	911	-
Other	335,548	-	335,548
Total Operation and maintenance of plant	2,701,893	1,889,908	811,985
Central:			
Purchased services	96,649	22,106	74,543
Total expenditures	2,856,070	1,966,083	889,987
Excess of revenues under expenditures	(1,412,669)	(522,682)	889,987
Fund balance at beginning of year	1,379,762	1,379,762	-
Prior year encumbrances appropriated	32,907	32,907	-
Fund balance at end of year	\$ -	\$ 889,987	\$ 889,987

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Eisenhower Math and Science Fund
For the Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 96,873	\$ 50,093	\$ (46,780)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular:			
Purchased services	54,993	34,613	20,380
Materials and supplies	72,054	37,752	34,302
Total expenditures	127,047	72,365	54,682
Excess of revenues under expenditures	(30,174)	(22,272)	7,902
<u>Other financing sources (uses):</u>			
Advances in	1,583	1,583	-
Advances out	(929)	(929)	-
Total other financing sources (uses)	654	654	-
Excess of revenues and other financing sources under expenditures and other financing uses	(29,520)	(21,618)	7,902
Fund balance at beginning of year	16,623	16,623	-
Prior year encumbrances appropriated	14,014	14,014	-
Fund balance at end of year	\$ 1,117	\$ 9,019	\$ 7,902

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Vocational Education Fund
For the Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 40,180	\$ 34,852	\$ (5,328)
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff:			
Salaries and wages	23,897	23,897	-
Fringe benefits	5,647	5,647	-
Purchased services	7,911	7,425	486
Materials and supplies	800	799	1
Total expenditures	38,255	37,768	487
Excess of revenues over (under) expenditures	1,925	(2,916)	(4,841)
<u>Other financing sources (uses):</u>			
Advances in	4,841	4,841	-
Advances out	(2,415)	(2,415)	-
Total other financing sources (uses)	2,426	2,426	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	4,351	(490)	(4,841)
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	490	490	-
Fund balance at end of year	\$ 4,841	\$ -	\$ (4,841)

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - EHA Preschool Grant Fund
For the Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 42,307	\$ 28,720	\$ (13,587)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Salaries and wages	22,692	10,593	12,099
Fringe benefits	4,602	1,573	3,029
Materials and supplies	4,438	4,261	177
Total instruction	<u>31,732</u>	<u>16,427</u>	<u>15,305</u>
Support services:			
Pupils:			
Salaries and wages	6,089	3,251	2,838
Fringe benefits	846	285	561
Capital outlay - new	1,474	1,474	-
Total Support services	<u>8,409</u>	<u>5,010</u>	<u>3,399</u>
Total expenditures	<u>40,141</u>	<u>21,437</u>	<u>18,704</u>
Excess of revenues over expenditures	<u>2,166</u>	<u>7,283</u>	<u>5,117</u>
<u>Other financing uses:</u>			
Advances out	(2,803)	(2,803)	-
Operating transfers out	(562)	(562)	-
Total other financing uses	<u>(3,365)</u>	<u>(3,365)</u>	<u>-</u>
Excess of revenues over (under) expenditures and other financing uses	(1,199)	3,918	5,117
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	1,199	1,199	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 5,117</u>	<u>\$ 5,117</u>

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Miscellaneous Federal Grant Fund
For the Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 3,059,183	\$ 1,935,214	\$ (1,123,969)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Purchased services	600	600	-
Vocational:			
Salaries and wages	138,840	106,934	31,906
Fringe benefits	34,621	20,835	13,786
Purchased services	293,806	287,433	6,373
Materials and supplies	8,944	3,516	5,428
Capital outlay - new	13,257	7,442	5,815
Total vocational	489,468	426,160	63,308
Support services:			
Pupils:			
Salaries and wages	1,607	1,503	104
Fringe benefits	579	344	235
Purchased services	6,406	6,386	20
Materials and supplies	1,676	1,676	-
Total pupils	10,268	9,909	359
Instructional staff:			
Salaries and wages	419,036	271,950	147,086
Fringe benefits	110,101	65,681	44,420
Purchased services	1,545,979	1,334,374	211,605
Materials and supplies	98,859	31,745	67,114
Capital outlay - new	356,949	227,886	129,063
Total instructional staff	2,530,924	1,931,636	599,288
Administration:			
Purchased services	74,657	74,657	-
Materials and supplies	483	483	-
Total administration	75,140	75,140	-
Fiscal:			
Other	7,424	7,424	-
Central:			
Purchased services	237,302	181,564	55,738
Materials and supplies	151,806	19,182	132,624
Total central	389,108	200,746	188,362
Total support services	3,012,864	2,224,855	788,009
Total expenditures	3,502,932	2,651,615	851,317
Excess of revenues under expenditures	(443,749)	(716,401)	(272,652)

(Continued)

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget And Actual - Miscellaneous Federal Grant Fund
For the Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Other financing sources (uses):</u>			
Advances in	95,330	95,330	-
Advances out	(144,287)	(144,287)	-
Total other financing sources (uses)	<u>(48,957)</u>	<u>(48,957)</u>	-
Excess of revenues and other financing sources under expenditures and other financing uses	(492,706)	(765,358)	(272,652)
Fund deficit at beginning of year	(778,033)	(778,033)	-
Prior year encumbrances appropriated	896,728	896,728	-
Fund deficit at end of year	<u>\$ (374,011)</u>	<u>\$ (646,663)</u>	<u>\$ (272,652)</u>

CAPITAL PROJECTS FUND

Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The capital projects fund is:

Telecommunity

To account for Telecommunity grants for the Ohio Department of Education.

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Telecommunity Fund
For the Fiscal Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff:			
Purchased services	24,000	-	24,000
Capital outlay - new	253,521	96,075	157,446
Other	20,834	20,834	-
Total expenditures	298,355	116,909	181,446
Excess of revenues under expenditures	(298,355)	(116,909)	181,446
Fund balance at beginning of year	298,355	298,355	-
Fund balance at end of year	\$ -	\$ 181,446	\$ 181,446

INTERNAL SERVICE FUND

Internal service funds are used to account for the financing of goods or services provided by one fund of the Service Center to other funds of the Service Center on a cost reimbursement basis. The title of the fund indicates the type of service provided. The internal service fund is:

Rotary

To account for income and expenses made in connection with goods and services provided by the Service Center. Some activities using this fund are curricular in nature.

Summit County Educational Service Center
Schedule of Revenues, Expenses, and Changes in Fund Equity-
Budget and Actual - Rotary Fund
For the Fiscal Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Membership fees	\$ 43,024	\$ 42,438	\$ (586)
<u>Expenses:</u>			
Purchased services:			
Special instruction	24	24	-
Instructional staff	105,916	18,368	87,548
Fiscal services	6,308	4,237	2,071
Total purchased services	112,248	22,629	89,619
Materials and supplies:			
Special instruction	1,143	1,143	-
Fiscal services	40	40	-
Total materials and supplies	1,183	1,183	-
Capital outlay:			
Capital outlay - new:			
Instructional staff	8,436	6,250	2,186
Other:			
Special instruction	70	70	-
Total expenses	121,937	30,132	91,805
Excess of revenues over (under) expenses	(78,913)	12,306	91,219
Fund equity at beginning of year	81,168	81,168	-
Prior year encumbrances appropriated	80	80	-
Fund equity at end of year	\$ 2,335	\$ 93,554	\$ 91,219

TRUST AND AGENCY FUNDS

Trust funds are used to account for assets held by the Service Center in a trustee capacity. Agency funds are used to account for assets held by the Service Center as an agent for individuals, private organizations, and other governments and/or other funds.

EXPENDABLE TRUST

Special Trust

To account for assets held by the Service Center in a trustee capacity for individuals and/or private organizations which benefit the student body or the local community.

AGENCIES

District Agency

To account for those assets held by the Service Center as an agent for individual, private organizations, other governmental units, and/or other funds.

NEONET

To account for the funds associated with the Data Acquisition site. This is a "fiscal agent" arrangement.

Summit County Educational Service Center
Combining Balance Sheet
All Trust and Agency Funds
June 30, 1999

	Expendable	Agency Funds		Totals
	Trust Fund	District	NEONET	
	Special Trust	Agency Fund		
<u>Assets and other debits:</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 343,070	\$ 3,751	\$ 1,427,079	\$ 1,773,900
Receivables:				
Intergovernmental	-	-	27,060	27,060
Prepaid items	-	-	491	491
Total assets	\$ 343,070	\$ 3,751	\$ 1,454,630	\$ 1,801,451
<u>Liabilities and fund equity:</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 7,308	\$ -	\$ 36,280	\$ 43,588
Accrued wages	-	-	2,698	2,698
Intergovernmental payable	-	-	11,892	11,892
Undistributed monies	-	3,751	1,403,760	1,407,511
Total liabilities	7,308	3,751	1,454,630	1,465,689
<u>Fund equity:</u>				
Fund balance:				
Reserved for encumbrances	26,045	-	-	26,045
Unreserved, undesignated	309,717	-	-	309,717
Total fund equity and other credits	335,762	-	-	335,762
Total liabilities and fund equity	\$ 343,070	\$ 3,751	\$ 1,454,630	\$ 1,801,451

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Special Trust Fund
For the Fiscal Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$ 150,000	\$ 150,000	\$ -
Miscellaneous	307,072	291,697	(15,375)
Total revenues	457,072	441,697	(15,375)
Expenditures:			
Current:			
Instruction:			
Special:			
Fringe benefits	300	207	93
Purchased services	3,478	-	3,478
Materials and supplies	5,301	1,540	3,761
Total special	9,079	1,747	7,332
Vocational:			
Fringe benefits	14,361	7,276	7,085
Purchased services	9,500	1,410	8,090
Capital outlay - new	11,988	-	11,988
Total vocational	35,849	8,686	27,163
Total instruction	44,928	10,433	34,495
Support services:			
Pupils:			
Fringe benefits	262	21	241
Materials and supplies	6	6	-
Total pupils	268	27	241
Instructional staff:			
Fringe benefits	45,417	26,291	19,126
Purchased services	3,822	3,126	696
Materials and supplies	764	586	178
Other	596	596	-
Total instructional staff	50,599	30,599	20,000
Administration:			
Purchased services	151,499	84,944	66,555
Materials and supplies	5,601	2,347	3,254
Total administration	157,100	87,291	69,809
Central:			
Purchased services	185,000	98,750	86,250
Capital outlay - new	10,000	834	9,166
Total central	195,000	99,584	95,416
Total support services	402,967	217,501	185,466

(Continued)

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Special Trust Fund
For the Fiscal Year Ended June 30, 1999

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Extracurricular activities:			
Academic and subject oriented activities:			
Purchased services	2,350	2,342	8
Materials and supplies	541	270	271
Total academic and subject oriented activities	2,891	2,612	279
Total expenditures	450,786	230,546	220,240
Excess of revenues over expenditures	6,286	211,151	204,865
<u>Other financing sources (uses):</u>			
Refund of prior year receipts	(11,907)	(11,907)	-
Advances out	(854)	(854)	-
Operating transfers in	562	562	-
Total other financing sources (uses)	(12,199)	(12,199)	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(5,913)	198,952	204,865
Fund balance at beginning of year	116,385	116,385	-
Prior year encumbrances appropriated	1,528	1,528	-
Fund balance at end of year	<u>\$ 112,000</u>	<u>\$ 316,865</u>	<u>\$ 204,865</u>

Summit County Educational Service Center
Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 1999

	Beginning Balance July 1, 1998	Additions	Deductions	Ending Balance June 30, 1999
<u>District Agency</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 1,650	\$ 2,101	\$ -	\$ 3,751
Total assets	\$ 1,650	\$ 2,101	\$ -	\$ 3,751
<u>Liabilities:</u>				
Undistributed monies	\$ 1,650	\$ 2,101	\$ -	\$ 3,751
Total liabilities	\$ 1,650	\$ 2,101	\$ -	\$ 3,751
<u>NEONET</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 1,207,450	\$ 219,629	\$ -	\$ 1,427,079
Accounts receivable	1,762	27,090	1,762	27,090
Prepaid items	2,435	491	2,435	491
Total assets	\$ 1,211,647	\$ 247,210	\$ 4,197	\$ 1,454,660
<u>Liabilities:</u>				
Accounts payable	\$ 3,372	\$ 36,280	\$ 3,372	\$ 36,280
Accrued wages	-	2,698	-	2,698
Intergovernmental payable	1,289	11,892	1,289	11,892
Deferred revenue	1,054	-	1,054	-
Undistributed monies	1,205,932	197,828	-	1,403,760
Total liabilities	\$ 1,211,647	\$ 248,698	\$ 5,715	\$ 1,454,630
<u>Total All Agency Funds</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 1,209,100	\$ 221,730	\$ -	\$ 1,430,830
Accounts receivable	1,762	27,090	1,762	27,090
Prepaid items	2,435	491	2,435	491
Total assets	\$ 1,213,297	\$ 249,311	\$ 4,197	\$ 1,458,411
<u>Liabilities:</u>				
Accounts payable	\$ 3,372	\$ 36,280	\$ 3,372	\$ 36,280
Accrued wages	-	2,698	-	2,698
Intergovernmental payable	1,289	11,892	1,289	11,892
Deferred revenue	1,054	-	1,054	-
Undistributed monies	1,207,582	199,929	-	1,407,511
Total liabilities	\$ 1,213,297	\$ 250,799	\$ 5,715	\$ 1,458,381

GENERAL FIXED ASSETS ACCOUNT GROUP

General Fixed Assets is a balanced group of accounts used to establish control and accountability for the costs of all real property and movable equipment owned by the Service Center. The investment in General Fixed Assets is carried until the disposition of the property and ownership is relinquished. Depreciation on fixed assets is not recorded.

Summit County Educational Service Center
Schedule of General Fixed Assets by Source
As of June 30, 1999

General fixed assets:

Furniture and equipment	\$ 752,263
Vehicles	<u>14,800</u>
Total general fixed assets	<u>\$ 767,063</u>

Investment in general fixed assets
by source:

Acquired before July 1, 1995	\$ 286,243
General fund	235,830
Grants	<u>244,990</u>
Total general fixed assets	<u>\$ 767,063</u>

Summit County Educational Service Center
Schedule of General Fixed Assets by Function and Activity
As of June 30, 1999

<u>Function</u>	<u>Furniture and Equipment</u>	<u>Vehicles</u>	<u>Total</u>
Instruction			
Regular	\$ 12,061	\$ -	\$ 12,061
Special	30,910	-	30,910
Vocational	78,289	-	78,289
Support services:			
Staff	424,901	-	424,901
Fiscal	3,815	-	3,815
Business	-	14,800	14,800
Plant operation and maintenance			
Central	200,788	-	200,788
	1,499	-	1,499
Total General fixed assets	\$ 752,263	\$ 14,800	\$ 767,063

Summit County Educational Service Center
Schedule of Changes in General Fixed Assets by Function
For the Fiscal Year Ended June 30, 1999

Function	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Instruction				
Regular	\$ -	\$ 12,061	\$ -	\$ 12,061
Special	28,327	2,583	-	30,910
Vocational	76,058	2,231	-	78,289
Support services:				
Staff	416,522	8,379	-	424,901
Fiscal	1,920	1,895	-	3,815
Business	14,800	-	-	14,800
Plant operation and maintenance	183,341	17,447	-	200,788
Central	1,499	-	-	1,499
Total general fixed assets	\$ 722,467	\$ 44,596	\$ -	\$ 767,063

Summit County Educational Service Center
Summit County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 1999

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Grantor's Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Eisenhower Professional Development	MS-S1 97	84.281	\$ -	\$ 3,649
	MS-S1 97 C		20,989	24,191
	MS-S1 98 C		20,000	31,781
	MS-S1 99		9,105	-
			<u>50,094</u>	<u>59,621</u>
Technical Assistance	20-A4 98	84.048	4,658	2,733
	20-A4 99		30,194	35,035
			<u>34,852</u>	<u>37,768</u>
Special Education - Preschool	PG-S1 97 P	84.173	8,338	6,172
	PG-S1 98 P		20,382	15,161
			<u>28,720</u>	<u>21,333</u>
Project L.I.F.E.	PF-S1 98	84.276	-	9,715
Goals 2000	G2-S4 97 C	84.276	8,062	18,106
	G2-SP 97 C		52,142	72,830
	G2-S3 97 C		97,627	119,313
	G2-S3 98 P		33,000	6,449
	G2-S3 99		106,750	86,594
			<u>297,581</u>	<u>303,292</u>
Total Passed Through Ohio Department of Education			<u>411,247</u>	<u>431,729</u>
Passed Through Medina County ESC:				
Goals 2000	G2-S5 99	84.276	<u>27,507</u>	<u>31,783</u>
Direct:				
Technology Challenge Grant	1-303A50380-97	84.303A	119,033	111,938
	1-303A50380-98		1,023,989	923,390
	1-303A50380-99		411,484	411,484
	1-303A50380-99		55,620	36,127
Total Direct			<u>1,610,126</u>	<u>1,482,939</u>
Total U.S. Department of Education			<u>\$ 2,048,880</u>	<u>\$ 1,946,451</u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

Summit County Educational Service Center
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 1999

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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





STATISTICAL SECTION





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

	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1997	Fiscal Year Ended June 30, 1996
Revenues:				
Intergovernmental	\$ 7,014,005	\$ 7,833,745	\$ 5,328,802	\$ 4,358,049
Interest	276,738	142,546	75,196	58,354
Tuition and fees	221,641	270,300	332,772	246,049
Services provided to other entities	2,260,906	1,650,305	-	-
Other local revenues	-	-	1,028,464	1,286,739
Classroom materials and fees	-	4,407	-	-
Miscellaneous	282,422	87,810	-	-
Total revenues	\$ 10,055,712	\$ 9,989,113	\$ 6,765,234	\$ 5,949,191
Expenditures:				
Current:				
Instruction:				
Regular	\$ 86,115	\$ 309,287	\$ 69,646	\$ 73,409
Special	959,153	831,090	536,933	726,379
Vocational	540,220	487,390	494,721	236,331
Support services:				
Pupil	2,282,164	1,633,010	1,488,750	1,609,820
Instructional staff	2,677,485	2,459,005	2,591,182	2,406,964
Board of education	38,178	19,072	19,912	24,268
School administration	556,977	1,102,981	538,532	526,276
Fiscal	256,703	265,432	171,943	192,833
Business	41,757	32,959	49,946	54,387
Operation and maintenance of plant	1,609,638	119,804	42,495	82,764
Pupil transportation	22,791	21,047	20,861	20,881
Central	679,853	254,114	255,177	287,676
Community services	3,286	16,400	3,837	15,000
Extracurricular activities	36,237	1,571	-	1,166
Capital outlay	2,864	2,704	1,864	-
Total expenditures	\$ 9,793,421	\$ 7,555,866	\$ 6,285,799	\$ 6,258,154

Source: FY1990 - FY1994 Service Center financial records; FY1995 - FY1999 Service Center Audit Reports

(1) FY1990 - FY1994 are reported on a cash basis; subsequent years are on a GAAP basis.

Fiscal Year Ended June 30, 1995	Fiscal Year Ended June 30, 1994	Fiscal Year Ended June 30, 1993	Fiscal Year Ended June 30, 1992	Fiscal Year Ended June 30, 1991	Fiscal Year Ended June 30, 1990
\$ 3,858,352	\$ 3,722,853	\$ 2,924,935	\$ 2,779,603	\$ 2,030,532	\$ 1,607,995
41,540	14,920	13,361	14,424	21,014	10,962
17,874	16,333	1,180	9,038	-	-
-	-	-	-	-	-
1,195,585	1,324,262	654,764	801,129	369,500	345,515
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 5,113,351</u>	<u>\$ 5,078,368</u>	<u>\$ 3,594,240</u>	<u>\$ 3,604,194</u>	<u>\$ 2,421,046</u>	<u>\$ 1,964,472</u>
\$ 196,161	\$ 251,223	\$ 425,806	\$ 414,311	\$ 350,729	\$ 120,597
763,597	541,491	469,883	223,845	130,995	101,892
187,042	153,635	286,842	126,865	83,099	26,730
1,536,842	1,411,975	1,376,689	1,182,748	862,824	740,011
1,874,795	1,190,167	756,370	765,494	639,773	536,379
22,360	11,354	7,942	13,546	14,316	10,562
523,303	375,363	384,438	368,630	214,996	196,494
161,365	141,037	137,643	72,434	2,340	-
52,082	44,443	18,042	12,841	12,552	9,629
80,373	80,811	36,818	21,250	15,901	11,595
-	28,051	7,831	3,425	-	-
108,254	435,579	135,237	27,486	7,019	6,168
42,995	27,877	-	-	-	-
991	1,618	1,300	1,300	1,300	3,000
-	319	3,630	-	-	1
<u>\$ 5,550,160</u>	<u>\$ 4,694,943</u>	<u>\$ 4,048,471</u>	<u>\$ 3,234,175</u>	<u>\$ 2,335,844</u>	<u>\$ 1,763,058</u>

Summit County Educational Service Center
General Fund Cash Balance History
Last Ten Fiscal Years (1)

	<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>
Fund balance, unreserved	\$ 966,470	440,924	(178,884)	(434,963)
Total fund equity	\$ 1,238,107	862,301	124,746	(333,058)
Cash balance	\$ 1,557,876	1,188,726	635,018	356,788
Cash balance: less encumbrances	\$ 1,421,260	909,906	410,957	97,528

Source: FY1990 - FY1994 Service Center financial records; FY1995 - FY1999 Service Center Audit Reports

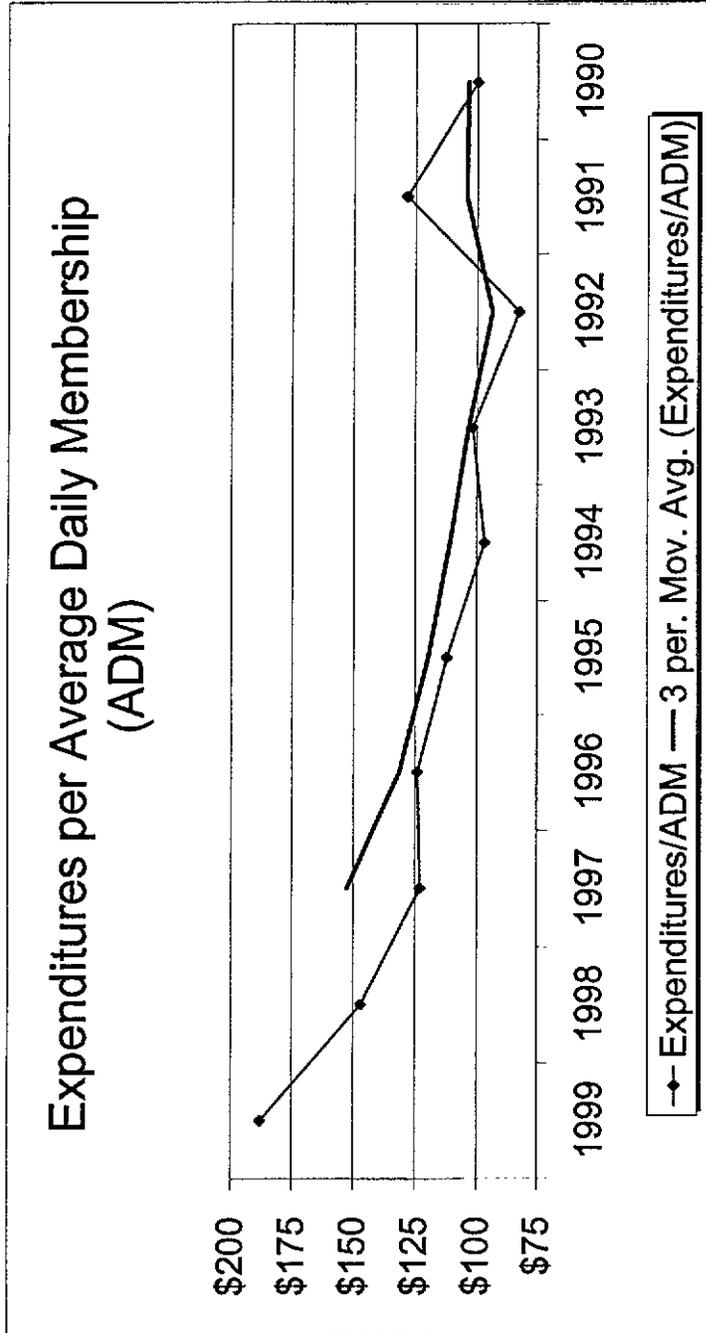
(1) FY1990 - FY1994 are reported on a cash basis; subsequent years are on a GAAP basis.

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

<u>Fiscal Year Ended June 30, 1995</u>	<u>Fiscal Year Ended June 30, 1994</u>	<u>Fiscal Year Ended June 30, 1993</u>	<u>Fiscal Year Ended June 30, 1992</u>	<u>Fiscal Year Ended June 30, 1991</u>	<u>Fiscal Year Ended June 30, 1990</u>
(219,035)	N/A	N/A	N/A	N/A	N/A
(96,246)	N/A	N/A	N/A	N/A	N/A
288,842	662,362	256,245	700,590	320,669	360,373
158,520	595,596	231,356	468,423	319,487	354,463

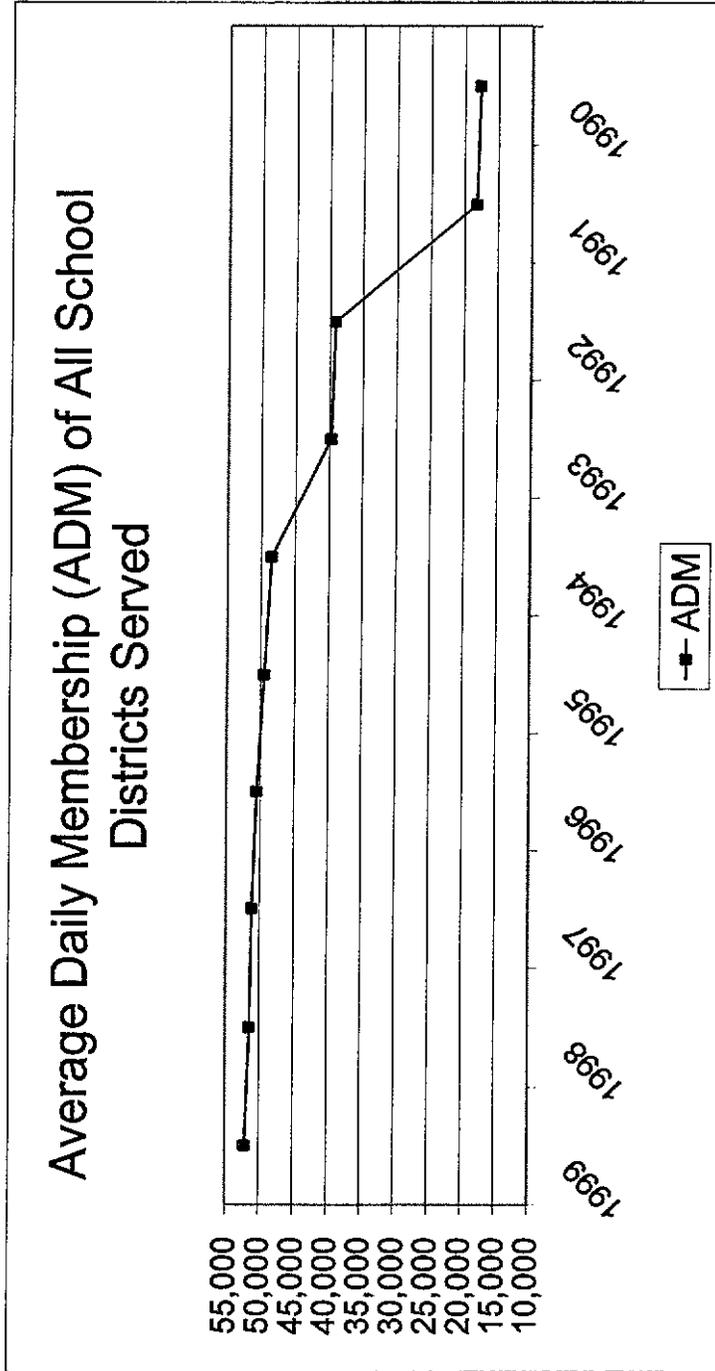
Summit County Educational Service Center
Expenditures Per Average Daily Membership (ADM)
Last Ten Fiscal Years (1)

Fiscal Year Ended June 30	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Expenditures	9,793,421	7,555,866	6,285,799	6,258,154	5,550,160	4,694,943	4,048,471	3,234,175	2,335,844	1,763,058
ADM	52,104	51,418	51,163	50,498	49,505	48,495	39,777	39,186	18,186	17,660
Expenditures/ADM	188	147	123	124	112	97	102	83	128	100



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

Fiscal Year Ended June 30	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
ADM	52,104	51,418	51,163	50,498	49,505	48,495	39,777	39,186	18,186	17,660
Percent Change	1.33%	0.50%	1.32%	2.01%	2.08%	21.92%	1.51%	115.47%	2.98%	



In July 1991 five city school districts were added through contracts
 In July 1993 three city school districts were added through contracts
 SOURCE: 4502 reports

Summit County Educational Service Center
Miscellaneous Statistics - School Districts Served
Last Three Fiscal Years

Fiscal Year Ended June 30, Fall Enrollment	Barberton City School District			Copley-Fairlawn City School District		
	1998	1997	1996	1998	1997	1996
	3,892	4,375	4,313	2,669	2,606	2,529
Demographic Data:						
Average Income	26,811	25,619	24,881	50,276	47,633	44,960
Property Valuation/Pupil	77,489	59,745	59,759	193,478	174,345	173,865
Fiscal Data:						
Effective Mills	28.16	32.71	32.78	27.56	32.28	24.76
Average Teacher Salary	\$ 41,153	39,443	39,280	44,805	43,524	42,332
Staff Data:						
Percent of Teachers With No Degree	0.00%	0.00	0.00	0.69	0.75	1.45
Percent of Teachers With Bachelor Degree	21.34%	0.22	21.73	17.90	15.81	16.65
Percent of Teachers With Masters Degree	45.06%	0.34	44.10	46.22	45.38	47.88
Average Teacher Experience (yrs.)	16.30	16.40	15.70	14.90	14.90	16.10
Output:						
Pupil Attendance Rate	92.50%	0.93	92.68	96.35	96.29	96.32
Graduation Rate	87.50%	0.85	82.51	86.60	85.45	81.94
Percent of College Preparatory Graduates	96.97%	0.77	78.80	100.00	82.98	82.26

Fiscal Year Ended June 30, Fall Enrollment	Nordonia Hills City School District			Norton City School District		
	1998	1997	1996	1998	1997	1996
	3,443	3,400	3,264	2,553	2,453	2,402
Demographic Data:						
Average Income	39,292	37,641	35,464	33,331	32,587	31,538
Property Valuation/Pupil	159,295	129,024	125,235	80,701	72,637	73,576
Fiscal Data:						
Effective Mills	27.96	32.30	32.97	30.06	34.53	26.65
Average Teacher Salary	\$ 42,868	41,829	40,923	39,419	39,039	38,811
Staff Data:						
Percent of Teachers With No Degree	0.00%	0.00	1.05	0.00	2.20	2.23
Percent of Teachers With Bachelor Degree	17.69%	18.12	18.98	17.43	17.20	14.12
Percent of Teachers With Masters Degree	38.74%	39.04	39.87	35.58	40.34	37.22
Average Teacher Experience (yrs.)	15.50	155.00	15.70	14.10	15.70	16.60
Output:						
Pupil Attendance Rate	95.69%	95.94	95.71	95.15	95.22	95.30
Graduation Rate	88.89%	87.89	80.66	89.22	87.72	86.57
Percent of College Preparatory Graduates	71.37%	65.78	64.71	100.00	60.67	98.77

Source: Ohio Department of Education

(1) Information not available for 1999

Coventry Local School District			Cuyahoga Falls City School District			Green Local School District		
1998	1997	1996	1998	1997	1996	1998	1997	1996
2,576	1,948	1,931	5,705	5,685	5,860	3,729	3,832	3,638
33,665	32,805	32,718	34,350	32,831	31,108	41,920	39,835	37,015
78,289	86,621	85,861	108,890	89,191	86,357	106,244	87,479	88,170
30.90	36.56	36.67	25.05	30.97	30.99	27.47	31.19	29.99
36,061	33,079	33,829	37,684	37,519	37,082	38,886	38,172	38,162
0.00	0.00	1.53	0.94	0.94	0.94	0.00	0.00	0.00
40.91	38.97	37.44	14.77	17.21	17.25	20.12	20.59	17.30
16.88	13.03	14.78	37.32	36.93	37.11	41.41	41.18	43.09
12.90	10.10	11.40	15.90	15.80	16.40	14.30	14.50	15.60
93.41	93.92	94.12	94.73	94.34	94.27	96.03	95.90	95.73
93.06	81.11	85.00	92.40	81.66	80.37	91.04	91.10	80.27
99.00	100.00	82.94	99.47	81.14	75.87	100.00	99.07	67.60

Revere Local School District			Springfield Local School District			Stow-Munroe Falls City School District		
1998	1997	1996	1998	1997	1996	1998	1997	1996
2,844	2,840	2,786	3,313	3,274	3,230	6,000	6,110	6,025
83,107	75,639	69,883	30,598	29,785	28,076	43,647	41,378	39,075
201,270	167,724	163,541	92,633	83,759	84,286	107,838	87,339	86,225
25.76	29.84	26.90	32.86	36.56	36.98	33.80	36.20	37.00
43,082	43,358	42,205	40,113	38,538	39,400	42,772	41,831	41,830
0.00	0.00	0.00	1.44	0.53	0.00	0.00	0.00	0.00
8.99	11.02	10.94	17.58	18.00	16.43	11.45	12.81	11.10
46.13	43.84	44.62	26.90	24.87	25.38	28.12	11.23	25.59
14.80	14.90	15.70	12.40	12.10	14.10	15.20	15.40	16.40
95.80	95.63	95.49	93.13	93.15	93.11	94.27	94.35	94.50
92.99	91.95	88.04	81.47	71.96	72.43	92.02	89.50	92.11
86.43	98.62	98.37	99.05	61.03	100.00	100.00	86.10	83.12

Summit County Educational Service Center

Miscellaneous Statistics - School Districts Served

Last Three Fiscal Years

Fiscal Year Ended June 30,	Hudson Local School District			Manchester Local School District		
	1998	1997	1996	1998	1997	1996
Fall Enrollment	5,380	5,398	5,325	1,463	1,495	1,506
<u>Demographic Data:</u>						
Average Income	89,602	77,279	73,953	35,067	34,122	33,094
Property Valuation/Pupil	128,986	110,692	107,469	87,712	74,404	72,409
<u>Fiscal Data:</u>						
Effective Mills	32.71	37.23	37.37	35.47	41.04	41.12
Average Teacher Salary	\$ 45,135	43,323	41,969	38,925	37,673	35,836
<u>Staff Data:</u>						
Percent of Teachers With No Degree	0.33%	0.34	0.35	0.00	0.00	0.00
Percent of Teachers With Bachelor Degree	14.97%	15.70	17.20	15.90	13.80	17.14
Percent of Teachers With Masters Degree	62.18%	60.73	59.85	38.91	35.13	34.27
Average Teacher Experience (yrs.)	13.20	13.40	13.00	14.40	14.20	14.10
<u>Output:</u>						
Pupil Attendance Rate	95.55%	95.75	95.64	95.29	95.09	95.27
Graduation Rate	95.42%	94.10	94.65	97.16	86.39	75.17
Percent of College Preparatory Graduates	80.18%	83.65	81.55	100.00	89.76	100.00

Fiscal Year Ended June 30,	Tallmadge City School District			Twinsburg City School District		
	1998	1997	1996	1998	1997	1996
Fall Enrollment	2,662	2,720	2,671	3,143	2,980	2,827
<u>Demographic Data:</u>						
Average Income	38,151	36,526	35,781	42,407	39,950	38,066
Property Valuation/Pupil	112,891	95,082	93,626	174,163	161,260	156,657
<u>Fiscal Data:</u>						
Effective Mills	30.67	35.07	35.42	24.35	28.00	28.39
Average Teacher Salary	\$ 39,248	38,553	38,421	42,870	41,448	41,134
<u>Staff Data:</u>						
Percent of Teachers With No Degree	0.00%	0.00	0.00	0.00	0.00	0.00
Percent of Teachers With Bachelor Degree	19.84%	19.37	17.33	22.56	23.71	25.01
Percent of Teachers With Masters Degree	33.58%	36.03	37.51	40.51	36.53	36.74
Average Teacher Experience (yrs.)	15.40	16.10	16.60	12.20	11.90	13.90
<u>Output:</u>						
Pupil Attendance Rate	95.33%	95.84	96.47	95.66	95.29	95.17
Graduation Rate	92.27%	83.77	86.41	96.98	87.56	88.41
Percent of College Preparatory Graduates	75.39%	58.13	85.39	67.36	90.16	100.00

Source: Ohio Department of Education

(1) Information not available for 1999

Mogadore Local School District		
1998	1997	1996
829	793	808
32,755	31,409	30,251
99,790	92,738	92,966
33.36	37.26	37.25
38,597	38,910	38,136
0.00	0.00	0.00
15.24	13.46	13.21
30.48	26.92	25.47
14.60	15.70	15.40
95.51	94.98	95.25
91.43	85.33	89.23
100.00	100.00	93.10

Woodridge Local School District		
1998	1997	1996
1,238	1,301	1,277
48,844	43,442	42,960
254,122	201,372	196,157
23.00	23.40	23.55
38,789	38,315	37,278
0.00	0.00	0.00
35.21	37.59	33.56
30.75	29.28	30.60
12.20	12.60	12.80
95.06	94.94	94.59
90.29	81.11	70.13
97.85	47.95	88.89

Total/Highest/Lowest All Districts Served					
1998		1997		1996	
51,439		51,210		50,392	
<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
89,602	26,811	77,279	25,619	73,953	24,881
254,122	77,489	201,372	59,745	196,157	59,759
35.47	23.00	41.04	23.40	41.12	23.55
45,135	36,061	43,524	33,079	42,332	33,829
1.44	0.00	2.20	0.00	2.23	0.00
40.91	0.15	38.97	0.22	37.44	10.94
46.22	0.34	60.73	0.34	59.85	14.78
16.30	12.20	155.00	10.10	16.60	11.40
96.35	0.93	96.29	0.93	96.47	92.68
97.16	0.88	94.10	0.85	94.65	70.13
100.00	0.71	100.00	0.77	100.00	64.71

Summit County Educational Service Center
Property Values, Bank Deposits and Construction
Last Ten Years

<u>Year</u>	<u>Total Assessed Values</u>	<u>Certified Bank Deposits</u>	<u>Value of Building Permits Issued</u>
1998	\$ 9,164,288	\$ 5,749,282	\$ 1,297,295
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
1992	6,533,731	3,737,694	513,216
1991	6,477,101	3,610,033	330,075
1990	6,336,326	3,539,540	440,902
1989	5,449,380	3,390,944	353,115

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.

Sources:

Total Assessed Value - Summit County Auditor

Financial Institution Deposits - Akron Clearing House, 1997 and 1998 Cleveland Federal Reserve

Building Permits - County of Summit Executive's Building Department

Lennon & Company

Certified Public Accountant

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Governors
Summit County Educational Service Center
420 Washington Avenue
Cuyahoga Falls, OH 44221

We have audited the financial statements of Summit County Educational Service Center as of and for the year ended June 30, 1999, and have issued our report thereon dated October 25, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 Summit County Educational Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

This report is intended for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Lennon & Company
Certified Public Accountant
October 25, 1999

Lennon & Company

Certified Public Accountant

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

Members of the Board of Governors
Summit County Educational Service Center
420 Washington Avenue
Cuyahoga Falls, OH 44221

Compliance

We have audited the compliance of Summit County Educational Service Center with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. Summit County Educational Service Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Summit County Educational Service Center's management. Our responsibility is to express an opinion on Summit County Educational Service Center's compliance based on our audit.

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

In our opinion, Summit County Educational Service Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lennon & Company

Lennon & Company
Certified Public Accountant
October 25, 1999

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

**SUMMIT COUNTY EDUCATIONAL SERVICE CENTER
June 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	84.276 Goals 2000 84.303A Tech. Challenge
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED
IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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.

By: Susan Babbitt

Date: JAN 20 2000