

Summit County Educational Service Center, Ohio

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2000





STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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, Certified Public Accountant, for the audit period July 1, 1999 through June 30, 2000. 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.

JIM PETRO
Auditor of State

February 27, 2001

Summit County
Educational Service Center

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2000

PREPARED BY:
SONDRA E. CLEVINGER and
TREASURER'S OFFICE STAFF

**Summit County Educational Service Center
 Comprehensive Annual Financial Report
 Fiscal Year Ended June 30, 2000**

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INTRODUCTORY SECTION



January 24, 2001

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, 2000 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 1999-2000 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 principals 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 four 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.

The Compliance Section, includes the auditor's report on the internal control over financial reporting and compliance with applicable laws and regulations. This section also includes all the reports and schedules required under the Single Audit Act and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations receiving federal awards.

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

Districts Served

The Summit County Educational Service Center serves a student population of approximately 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 district 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 participate on an annual basis, by contract, for a broad spectrum of educational services available through the ESC.

Organization

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

The Board sets policy and enters into contracts and may serve 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 directly responsible to the Board for all operations. The current superintendent is Patrick Corbett who has served in this position since February 2000. His current contract extends until August 2003.

The 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 Treasurer is Sondra Clevenger who has served in this position since July 2000. Her current contract extends until the organizational meeting in January 2003.

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 teachers through the 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 85-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*. An extension to complete the program was granted until December 2001.

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 videotapes, CD-ROMs and laser discs for classroom use from this library of over 4,000 titles. There are no rental or delivery charges for the seven local and nine affiliate districts. All other users pay a modest rental and 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 in their provision of services to special needs and at-risk populations. Services provided directly to students and families include: Attendance/Truancy, Psychological Testing and Individual Education Plans, Speech & Language Therapy and Audiology.

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

The Summit County Preschool provides an integrated, comprehensive preschool program for all students, 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, and transportation. Participating districts contract for these services.

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 otherwise be possible. The 6.8 million dollar Technology Learning Challenge Grant is an example of one major benefit 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. Due to this commitment, the ESC provides leadership academy opportunities to teachers, aspiring principals, principals, school building teams, treasurers, and aspiring superintendents.

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 1999 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 1999. The workforce is transitioning from manufacturing to service industries, which mirrors the national trend.

In summarizing the County's economic outlook, positive growth is expected to continue.

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 School District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School District 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 establishing and maintaining an adequate internal control structure 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 Governors. 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 general governmental funds encompass the General, Special Revenue, Capital Projects and the Expendable Trust Fund of the ESC.

The following schedule presents a summary of revenues for all general governmental funds for fiscal year ended June 30, 2000, and the amount and percentage of increases (decreases) in relation to the 1999 fiscal year.

Revenues by Source	1998-99 Amount	1999-00 Amount	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
Intergovernmental	\$ 7,014,005	\$ 5,256,585	60.77%	\$ (1,757,420)	-25.06%
Interest	276,738	269,925	3.12%	(6,813)	-2.46%
Tuition and fees	221,641	345,943	4.00%	124,302	56.08%
Customer services	2,260,906	2,701,100	31.23%	440,194	19.47%
Gifts and donations	-	43,110	0.50%	43,110	0.00%
Miscellaneous	282,422	33,086	0.38%	(249,336)	-88.28%
Total	<u>\$ 10,055,712</u>	<u>\$ 8,649,749</u>	<u>100.00%</u>	<u>\$ (1,405,963)</u>	<u>-13.98%</u>

The ESC experienced approximately a 25% decrease in intergovernmental revenue compared to fiscal year 1999. One contributing factor to this variance was a decrease of \$855,000 in federal technology challenge grant money received. We are nearing the end of this program and, therefore, the annual contributions are expected to decrease. Also, during fiscal year 1999, the ESC received a \$750,000 state subsidy, whereas no such amount or subsidy was received in 2000.

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.

Tuition and fees revenue increased significantly in 2000. This is mainly due to an increase in the number of preschool classes made available to participating districts compared to the prior year.

In prior years, the ESC reported miscellaneous revenue for some items that could have been classified as customer services. For fiscal year 2000, those amounts were reported as customer service revenues rather than miscellaneous revenues. This resulted in a large decrease in miscellaneous revenue reported and contributed greatly to the increase in customer service revenue.

The increase in customer service revenue is also partially attributable to an increase the number of service contracts made by the ESC with other districts.

The following schedule presents a summary of expenditures for all general governmental funds for the fiscal year ended June 30, 2000, and the amount and percentage of increases (decreases) in relation to the 1999 fiscal year.

Expenditures by Function	1998-99 Amount	1999-00 Amount	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
Regular Instruction	\$ 86,115	\$ 80,920	0.89%	\$ (5,195)	-6.03%
Special Instruction	959,153	1,471,551	16.10%	512,398	53.42%
Vocational Instruction	540,220	362,991	3.97%	(177,229)	-32.81%
Pupil Support	2,282,164	1,583,520	17.33%	(698,644)	-30.61%
Instructional Staff	2,677,485	3,272,104	35.81%	594,619	22.21%
Board of Education	38,178	24,080	0.26%	(14,098)	-36.93%
Administration	556,977	441,680	4.83%	(115,297)	-20.70%
Fiscal	256,703	219,127	2.40%	(37,576)	-14.64%
Business	41,757	65,241	0.71%	23,484	56.24%
Plant Operations	1,609,638	1,305,568	14.29%	(304,070)	-18.89%
Pupil Transportation	22,791	23,049	0.25%	258	1.13%
Central	679,853	253,313	2.77%	(426,540)	-62.74%
Extracurricular	3,286	2,175	0.02%	(1,111)	-33.81%
Operation of non- instructional services	-	852	0.01%	852	0.00%
Capital Outlay	-	1,110	0.01%	1,110	0.00%
Debt Service:					
Principal retirement	36,237	29,349	0.32%	(6,888)	0.00%
Interest	2,864	1,217	0.01%	(1,647)	0.00%
Total	<u>\$ 9,793,421</u>	<u>\$ 9,137,847</u>	<u>99.67%</u>	\$ (655,574)	-6.69%

Special instruction expenditures increased by more than 50% between 1999 and 2000, largely due to increases in salaries, wages and related employee benefits. The ESC had a greater number of employees due to additional service contracts and increased services to existing contracts.

The bulk of vocational education expenditures come from the federal technology challenge grant referred to above. As stated previously, federal funding for this program has decreased and, subsequently, expenditures have decreased as well. There were fewer certified staff and student workers involved in the technical work experience part of the program.

Nearly all of the decrease in pupil support expenditures is due to a decline in the number of psychological services contracts between the ESC and surrounding districts. In 1999, the ESC provided such services to more than a dozen districts. However, in 2000, the number of districts was significantly lower.

Administration expenditures include legal services provided to other districts paid out of ESC funds. There was a large decrease in such expenditures for fiscal year 2000 as opposed to the prior year.

Most of the decrease in plant operations expenditures was due to a large payable recorded at the end of 1999 that was eventually paid during 2000. This amount was recognized as an expenditure in the prior year. Without that payable, plant operations expenditures would have remained fairly consistent.

In 1999, the ESC provided major funding to school districts that are now required to have a Continuous Improvement Plan (CIP). However, with these programs in place, there was far less funding during 2000 for these services resulting in a reduced amount of central expenditures.

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

General Fund

The ESC ended the 1999-2000 fiscal year with a General Fund unencumbered cash balance of \$2,405,806.

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, 2000, Special Revenue Funds had combined revenues of \$2,429,971 and expenditures of \$3,472,655. Carry-over funds of \$1,239,414 from fiscal year 1999 contributed to the additional funds available for expenditure in fiscal year 2000.

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 \$353,517 was expended.

Internal Service Funds

The Internal Service Funds accounted for by the ESC in 1999-2000 was the Rotary fund. During the fiscal year 2000, the Rotary fund showed an operating income of \$237.

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, 2000 was \$908,862. 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 1999-2000 with the use of certificates of deposit. Due to increase in cash reserves, a program of laddering Certificates of Deposit was maintained. 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 \$269,925.

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 liability and loss insurance for it.

The ESC offers health insurance benefits to full time employees. The Center 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 2000 were \$383,418 as the employer portion to STRS and \$298,351 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 and Company performed the 2000 audit for the period ended June 30, 2000. The auditor's unqualified opinion rendered on the School District'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 CAFR.

Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the ESC for its CAFR for the fiscal year ended June 30, 1999. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. We believe our current report will conform to Certificate of Achievement requirements, and it is being submitted to the GFOA to determine its eligibility for another certificate.

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,



Patrick Corbett
Superintendent



Sondra Clevenger
Chief Fiscal Officer

Summit County Educational Service Center
Public Officials Roster
Year Ended June 30, 2000

Board of Education

Mrs. Alyce Altwies	President
Ms. Bonnie Bowman	Vice President
Mrs. Karla Beech	Member
Mrs. Jennifer Troyer	Member
Mr. Ray Weber	Member

Chief Fiscal Officer

Mrs. Sondra Clevenger

Administration

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

Summit County Educational Service Center
Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Summit County Educational
Service Center, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1999

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



Cathy Brubaker
President

Jeffrey L. Esler
Executive Director

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FINANCIAL SECTION



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, 2000, 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.

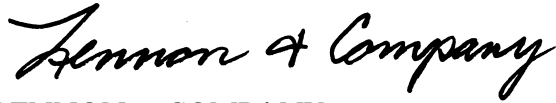
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable 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, 2000, 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 January 24, 2001 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

A handwritten signature in black ink that reads "Lennon & Company". The signature is written in a cursive, flowing style.

LENNON & COMPANY
Certified Public Accountant
January 24, 2001

General Purpose Financial Statements

Summit County Educational Service Center
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and other debits:</u>			
<u>Assets:</u>			
Equity in pooled cash and cash equivalents	\$ 2,087,917	\$ 515,611	\$ 126,370
Receivables:			
Accounts	12,802	-	-
Intergovernmental	114,595	53,335	-
Accrued interest	47,955	-	-
Interfund receivable	321,605	-	-
Prepaid items	2,741	-	-
Materials and supplies inventory	5,881	-	-
Equity in pooled cash and cash equivalents (restricted)	398,863	-	-
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	<u>\$ 2,992,359</u>	<u>\$ 568,946</u>	<u>\$ 126,370</u>
<u>Liabilities, fund equity and other credits:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 26,667	\$ 35,590	\$ 14,880
Accrued wages	303,627	14,497	-
Compensated absences payable	20,929	4,065	-
Interfund payable	-	321,605	-
Intergovernmental payable	403,118	9,467	-
Deferred revenue	330,233	-	-
Undistributed monies	-	-	-
Capital leases payable	-	-	-
Total liabilities	<u>1,084,574</u>	<u>385,224</u>	<u>14,880</u>
<u>Fund equity and other credits:</u>			
Investment in general fixed assets	-	-	-
Retained earnings:			
Unreserved	-	-	-
Fund balance:			
Reserved for encumbrances	64,465	362,909	12,667
Reserved for inventory	5,881	-	-
Reserved for prepaid items	2,741	-	-
Reserved for budget stabilization	148,863	-	-
Reserved for contingencies	250,000	-	-
Unreserved:			
Undesignated	1,435,835	(179,187)	98,823
Total fund equity and other credits	<u>1,907,785</u>	<u>183,722</u>	<u>111,490</u>
Total liabilities, fund equity and other credits	<u>\$ 2,992,359</u>	<u>\$ 568,946</u>	<u>\$ 126,370</u>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
\$ 99,175	\$ 1,924,796	\$ -	\$ -	\$ 4,753,869
545	564	-	-	13,911
-	59,731	-	-	227,661
-	-	-	-	47,955
-	-	-	-	321,605
-	235	-	-	2,976
-	-	-	-	5,881
-	-	-	-	398,863
-	-	908,862	-	908,862
-	-	-	299,572	299,572
<u>\$ 99,720</u>	<u>\$ 1,985,326</u>	<u>\$ 908,862</u>	<u>\$ 299,572</u>	<u>\$ 6,981,155</u>

\$ 460	\$ 14,915	\$ -	\$ -	\$ 92,512
-	22,981	-	-	341,105
-	7,718	-	278,722	311,434
-	-	-	-	321,605
-	39,786	-	7,275	459,646
-	-	-	-	330,233
-	1,572,048	-	-	1,572,048
-	-	-	13,575	13,575
<u>460</u>	<u>1,657,448</u>	<u>-</u>	<u>299,572</u>	<u>3,442,158</u>
-	-	908,862	-	908,862
99,260	-	-	-	99,260
-	6,070	-	-	446,111
-	-	-	-	5,881
-	-	-	-	2,741
-	-	-	-	148,863
-	-	-	-	250,000
-	321,808	-	-	1,677,279
<u>99,260</u>	<u>327,878</u>	<u>908,862</u>	<u>-</u>	<u>3,538,997</u>
<u>\$ 99,720</u>	<u>\$ 1,985,326</u>	<u>\$ 908,862</u>	<u>\$ 299,572</u>	<u>\$ 6,981,155</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, 2000

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Revenues:</u>			
Intergovernmental	\$ 2,551,614	\$ 2,429,971	\$ 275,000
Interest	269,925	-	-
Tuition and fees	345,943	-	-
Gifts and donations	-	-	-
Customer services	2,605,584	-	-
Miscellaneous	32,477	-	-
Total revenues	<u>5,805,543</u>	<u>2,429,971</u>	<u>275,000</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	22,490	58,430	-
Special	1,235,870	218,527	-
Vocational	187,688	155,907	-
Support services:			
Pupils	1,526,810	54,212	-
Instructional staff	1,278,866	1,598,808	353,517
Board of education	24,080	-	-
Administration	369,154	15,120	-
Fiscal	214,127	5,000	-
Business	65,241	-	-
Operation and maintenance of plant	72,155	1,233,413	-
Pupil transportation	-	23,049	-
Central	123,391	109,337	-
Operation of non-instructional services	-	852	-
Extracurricular activities	-	-	-
Capital outlay	1,110	-	-
Debt service:			
Principal retirement	29,349	-	-
Interest and fiscal charges	1,217	-	-
Total expenditures	<u>5,151,548</u>	<u>3,472,655</u>	<u>353,517</u>
Excess of revenues over (under) expenditures	<u>653,995</u>	<u>(1,042,684)</u>	<u>(78,517)</u>
<u>Other financing sources (uses):</u>			
Inception of capital lease	14,707	-	-
Operating transfers in	-	-	-
Operating transfers out	-	(13,008)	-
Total other financing sources (uses)	<u>14,707</u>	<u>(13,008)</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	668,702	(1,055,692)	(78,517)
Fund balances at beginning of year	1,238,107	1,239,414	190,007
Increase in reserve for inventory	976	-	-
Fund balances at end of year	<u>\$ 1,907,785</u>	<u>\$ 183,722</u>	<u>\$ 111,490</u>

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$ -	\$ 5,256,585
-	269,925
-	345,943
43,110	43,110
95,516	2,701,100
609	33,086
<u>139,235</u>	<u>8,649,749</u>
-	80,920
17,154	1,471,551
19,396	362,991
2,498	1,583,520
40,913	3,272,104
-	24,080
57,406	441,680
-	219,127
-	65,241
-	1,305,568
-	23,049
20,585	253,313
-	852
2,175	2,175
-	1,110
-	29,349
-	1,217
<u>160,127</u>	<u>9,137,847</u>
<u>(20,892)</u>	<u>(488,098)</u>
-	14,707
13,008	13,008
-	(13,008)
<u>13,008</u>	<u>14,707</u>
(7,884)	(473,391)
335,762	3,003,290
-	976
<u>\$ 327,878</u>	<u>\$ 2,530,875</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, 2000**

	Governmental Fund Types		
	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>Revenues:</u>			
Intergovernmental	\$ 2,258,257	\$ 2,559,835	\$ 301,578
Interest	216,600	258,060	41,460
Tuition and fees	274,032	307,631	33,599
Gifts and donations	-	-	-
Customer services	2,574,222	2,895,107	320,885
Miscellaneous	33,400	32,477	(923)
Total revenues	<u>5,356,511</u>	<u>6,053,110</u>	<u>696,599</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	265,701	22,490	243,211
Special	927,637	1,146,308	(218,671)
Vocational	259,670	210,527	49,143
Support services:			
Pupils	1,486,454	1,487,897	(1,443)
Instructional staff	1,302,851	1,285,667	17,184
Board of education	28,179	24,726	3,453
Administration	452,627	363,022	89,605
Fiscal	219,838	216,705	3,133
Business	51,847	54,704	(2,857)
Operation and maintenance of plant	143,662	111,342	32,320
Pupil transportation	-	-	-
Central	167,830	124,292	43,538
Operation of non-instructional services	-	-	-
Extracurricular activities	-	-	-
Capital outlay	-	1,110	(1,110)
Total expenditures	<u>5,306,296</u>	<u>5,048,790</u>	<u>257,506</u>
Excess of revenues over (under) expenditures	<u>50,215</u>	<u>1,004,320</u>	<u>954,105</u>
<u>Other financing sources (uses):</u>			
Advances in	165,216	165,216	-
Advances out	(90,000)	(321,605)	(231,605)
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>75,216</u>	<u>(156,389)</u>	<u>(231,605)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	125,431	847,931	722,500
Fund balances at beginning of year	1,421,259	1,421,259	-
Prior year encumbrances appropriated	136,616	136,616	-
Fund balances at end of year	<u>\$ 1,683,306</u>	<u>\$ 2,405,806</u>	<u>\$ 722,500</u>

See accompanying notes to the general purpose financial statements.

Governmental Fund Types

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,520,901	\$ 2,434,510	\$ (86,391)	\$ 300,000	\$ 275,000	\$ (25,000)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,520,901</u>	<u>2,434,510</u>	<u>(86,391)</u>	<u>300,000</u>	<u>275,000</u>	<u>(25,000)</u>
54,681	62,083	(7,402)	-	-	-
155,302	221,819	(66,517)	-	-	-
63,309	183,755	(120,446)	-	-	-
59,312	86,712	(27,400)	-	-	-
604,705	2,026,656	(1,421,951)	146,407	366,184	(219,777)
-	-	-	-	-	-
3,000	16,021	(13,021)	-	-	-
-	5,000	(5,000)	-	-	-
-	-	-	-	-	-
811,986	1,485,336	(673,350)	-	-	-
24,092	23,049	1,043	-	-	-
270,991	134,209	136,782	-	-	-
852	852	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,048,230</u>	<u>4,245,492</u>	<u>(2,197,262)</u>	<u>146,407</u>	<u>366,184</u>	<u>(219,777)</u>
<u>472,671</u>	<u>(1,810,982)</u>	<u>(2,283,653)</u>	<u>153,593</u>	<u>(91,184)</u>	<u>(244,777)</u>
321,605	321,605	-	-	-	-
(165,216)	(165,216)	-	-	-	-
-	-	-	-	-	-
(170)	(13,008)	(12,838)	-	-	-
<u>156,219</u>	<u>143,381</u>	<u>(12,838)</u>	<u>-</u>	<u>-</u>	<u>-</u>
628,890	(1,667,601)	(2,296,491)	153,593	(91,184)	(244,777)
317,741	317,741	-	181,446	181,446	-
1,462,333	1,462,333	-	8,561	8,561	-
<u>\$ 2,408,964</u>	<u>\$ 112,473</u>	<u>\$ (2,296,491)</u>	<u>\$ 343,600</u>	<u>\$ 98,823</u>	<u>\$ (244,777)</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 (Continued)
 For the Fiscal Year Ended June 30, 2000**

	Fiduciary Fund Type		
	Expendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ -	\$ -	\$ -
Interest	-	-	-
Tuition and fees	-	-	-
Gifts and donations	33,050	43,110	10,060
Customer services	137,076	95,516	(41,560)
Miscellaneous	-	-	-
Total revenues	<u>170,126</u>	<u>138,626</u>	<u>(31,500)</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	-	-	-
Special	7,331	16,712	(9,381)
Vocational	27,163	18,395	8,768
Support services:			
Pupils	410	153	257
Instructional staff	52,000	13,863	38,137
Board of education	-	-	-
Administration	69,810	59,831	9,979
Fiscal	-	-	-
Business	-	-	-
Operation and maintenance of plant	-	-	-
Pupil transportation	-	-	-
Central	207,415	27,733	179,682
Operation of non-instructional services	-	-	-
Extracurricular activities	2,280	2,175	105
Capital outlay	-	-	-
Total expenditures	<u>366,409</u>	<u>138,862</u>	<u>227,547</u>
Excess of revenues over (under) expenditures	<u>(196,283)</u>	<u>(236)</u>	<u>196,047</u>
<u>Other financing sources (uses):</u>			
Advances in	-	-	-
Advances out	-	-	-
Operating transfers in	-	13,008	13,008
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>13,008</u>	<u>13,008</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(196,283)	12,772	209,055
Fund balances at beginning of year	316,866	316,866	-
Prior year encumbrances appropriated	26,204	26,204	-
Fund balances at end of year	<u>\$ 146,787</u>	<u>\$ 355,842</u>	<u>\$ 209,055</u>

See accompanying notes to the general purpose financial statements.

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 5,079,158	\$ 5,269,345	\$ 190,187
216,600	258,060	41,460
274,032	307,631	33,599
33,050	43,110	10,060
2,711,298	2,990,623	279,325
33,400	32,477	(923)
<u>8,347,538</u>	<u>8,901,246</u>	<u>553,708</u>
320,382	84,573	235,809
1,090,270	1,384,839	(294,569)
350,142	412,677	(62,535)
1,546,176	1,574,762	(28,586)
2,105,963	3,692,370	(1,586,407)
28,179	24,726	3,453
525,437	438,874	86,563
219,838	221,705	(1,867)
51,847	54,704	(2,857)
955,648	1,596,678	(641,030)
24,092	23,049	1,043
646,236	286,234	360,002
852	852	-
2,280	2,175	105
-	1,110	(1,110)
<u>7,867,342</u>	<u>9,799,328</u>	<u>(1,931,986)</u>
<u>480,196</u>	<u>(898,082)</u>	<u>(1,378,278)</u>
486,821	486,821	-
(255,216)	(486,821)	(231,605)
-	13,008	13,008
(170)	(13,008)	(12,838)
<u>231,435</u>	<u>-</u>	<u>(231,435)</u>
711,631	(898,082)	(1,609,713)
2,237,312	2,237,312	-
1,633,714	1,633,714	-
<u>\$ 4,582,657</u>	<u>\$ 2,972,944</u>	<u>\$ (1,609,713)</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, 2000

	<u>Internal Service</u>
<u>Operating revenues:</u>	
Charges for services	\$ 32,375
<u>Operating expenses:</u>	
Purchased services	30,249
Materials and supplies	1,889
Total operating expenses	<u>32,138</u>
Net income	237
Retained earnings at beginning of year	99,023
Retained earnings at end of year	<u><u>\$ 99,260</u></u>

See accompanying notes to the general purpose financial statements.

Summit County Educational Service Center
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000

	Internal Service
<u>Cash flows from operating activities:</u>	
Cash received from customers	\$ 36,205
Cash payments to suppliers for goods and services	(33,221)
Net cash provided by operating activities	<u>2,984</u>
Net increase in cash and cash equivalents	2,984
Cash and cash equivalents at beginning of year	96,191
Cash and cash equivalents at end of year	<u>\$ 99,175</u>
 <u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	<u>\$ 237</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	3,830
Increase (decrease) in liabilities:	
Accounts payable	<u>(1,083)</u>
Total adjustments	<u>2,747</u>
Net cash provided by operating activities	<u>\$ 2,984</u>

See accompanying notes to the general purpose financial statements.

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, 1999 was 56,599. The Service Center employed 67 certificated employees and 77 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).

Summit County Educational Service Center

Proprietary Fund Type:

Proprietary funds are used to account for the Service Center's ongoing activities that 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.

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.

Notes to the General Purpose Financial Statements

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.

The Service Center reports deferred revenues on its combined balance sheet. Deferred revenues arise when 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 for the general fund and at the object level for other funds. Any budgetary modifications at these levels may only be made by resolution of the Governing Board.

Appropriations:

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

Summit County Educational 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 appropriation measure was legally enacted; however, the final appropriation was not presented to the Board for approval, see Note 15 for details.

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

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 combined 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.

Notes to the General Purpose Financial Statements

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. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for budget stabilization and contingencies.

I. 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

Educational Management Information System

Eisenhower Math and Science

Entry Year Program

Excellence in Education

Goals 2000

Handicapped Preschool

LCI Facilitators

Principals Mentorship

School Net Professional Development

Technical Assistance

Technology Challenge

Capital Projects

SchoolNet Telecommunity

Summit County Educational Service Center

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

J. Prepaid Items

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

K. Short-term Interfund Assets/Liabilities

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

L. 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.

M. 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 obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

N. 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.

Notes to the General Purpose Financial Statements

O. 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, budget stabilization, and contingencies. A reserve was established by Board resolution No. 99-33 to account for monies held for contingencies.

P. Estimates

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

Q. 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 (GAAP basis).

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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>	\$ 668,702	\$ (1,055,692)	\$ (78,517)	\$ (7,884)
<i>Revenue accruals</i>	398,076	326,144	-	(609)
<i>Expenditure accruals</i>	(137,872)	(534,915)	14,880	27,335
<i>Encumbrances (Budget Basis)</i>				
<i>Outstanding at year end</i>	<u>(80,975)</u>	<u>(403,138)</u>	<u>(27,547)</u>	<u>(6,070)</u>
<i>Budget Basis</i>	<u>\$ 847,931</u>	<u>\$ (1,667,601)</u>	<u>\$ (91,184)</u>	<u>\$ 12,772</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 have 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 \$2,362,732, and the bank balance was \$2,800,873. Of the bank balance, \$150,783 was covered by federal depository insurance. \$2,650,000 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 2000 amounted to \$269,925, which includes \$141,295, assigned from other Service Center funds.

The Service Center's investment at year end consisted of overnight repurchase agreement. It is a Category 3 investment, with a fair value of \$2,790,000.

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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, and agency fund's intergovernmental receivable at June 30, consisted of \$114,595, \$53,335, and \$59,731 respectively.

NOTE 6 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2000 follows:

	<i>Balance</i> <i>July 1</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance</i> <i>June 30</i>
<i>Furniture and Equipment</i>	\$ 752,263	\$ 141,892	\$ -	\$ 894,155
<i>Vehicles</i>	<u>14,800</u>	<u>14,707</u>	<u>(14,800)</u>	<u>14,707</u>
<i>Total</i>	<u>\$ 767,063</u>	<u>\$ 156,599</u>	<u>\$ (14,800)</u>	<u>\$ 908,862</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 pay's 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, 2000, 1999, and 1998 were \$298,351, \$203,289, and \$166,811, respectively; eighty two percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$55,028 representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 2000, 1999, and 1998 were \$383,418, \$362,872, and \$344,390, respectively; no contributions were made for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$383,418, representing the unpaid contribution for fiscal year 2000, 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 \$219,096 during the 2000 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$2,783 million at June 30, 1999, (latest information available). For the year ended June 30, 1999, the net health care costs paid by the STRS were \$249,929,000 and eligible benefit recipients totaled 95,796.

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 8.50 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 2000, 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 \$188,417, which includes a surcharge of \$7,275 during the 2000 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999, (latest information available) were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the SERS's net assets available for payment of health care benefits was \$188.0 million. The number of participants receiving health care benefits was approximately 51,000.

NOTE 10 - INTERFUND TRANSACTIONS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Local Grant	\$ 10,644
General	Eisenhower Math and Science	8,019
General	EHA Preschool Grants	940
General	Miscellaneous Federal Grant	302,002
<i>Total</i>		<u>\$ 321,605</u>

NOTE 11 - LONG TERM OBLIGATIONS

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

<u>General Long-Term Obligations</u>	<u>Balance</u> <u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30</u>
Compensated Absences	\$ 296,429	\$ -	\$ (17,707)	\$ 278,722
Employer Pension Obligations	-	7,275	-	7,275
Capital Leases	28,217	14,707	(29,349)	13,575
<i>Total General Long-Term Obligations</i>	<u>\$ 324,646</u>	<u>\$ 21,982</u>	<u>\$ (47,056)</u>	<u>\$ 299,572</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 a van and 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 \$97,071 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 \$29,349. 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>Payments</i>
2000	\$ 5,386
2001	5,386
2002	<u>4,020</u>
<i>Less: amount representing interest</i>	<u>(1,217)</u>
<i>Total</i>	<u>\$ 13,575</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. A board made up of superintendents from all of the participating districts governs NEONET. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis. The Service Center does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEONET are made from the general fund. During the current fiscal year the Service Center contributed a nominal amount to NEONET.

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, 2000, the Service Center received \$2,495,793 of school foundation support for its general fund.

Since the Supreme Court ruling, the State 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, 2000, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. On May 11, 2000 the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997 decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

Notes to the General Purpose Financial Statements

NOTE 15 – ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

As of June 30, 2000, one fund had a deficit fund balance. This deficit was 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 Management Information Systems special revenue fund had a deficit of \$16 at year end.

B. Compliance

The following funds had expenditures plus outstanding encumbrances in excess of appropriations for the fiscal year ended June 30, 2000, which is a violation of Board policy. The general fund is presented at the function and object level and all other funds are presented at the fund and object level, which is the legal level of budgetary control.

<u>Fund</u>	<u>Account</u>	<u>Excess</u>
General	Instruction: Special - salaries and wages	\$ 238,924
	Instruction: Special - fringe benefits	37,076
	Instruction: Special - materials and supplies	1,788
	Instruction: Vocational - capital outlay - new	5,051
	Support services: Pupil transportation - purchased services	31,568
	Support services: Instructional staff - salaries and wages	23,492
	Support services: Instructional staff - fringe benefits	5,574
	Support services: Instructional staff - material supplies	1,954
	Support services: Instructional staff - capital outlay - new	2,495
	Support services: Instructional staff - other	1,069
	Support services: Board of education - salaries and wages	3,520
	Support services: Board of education - fringe benefits	516
	Support services: Administration - capital outlay - new	3,205
	Support services: Fiscal - other	7,664
	Support services: Business - material supplies	16,071
	Support services: Central - salaries and wages	15,067
	Support services: Central - materials and supplies	427
	Capital Outlay: Site improvement services - capital outlay - new	1,110

Summit County Educational Service Center

<u>Fund</u>	<u>Account</u>	<u>Excess</u>
Special Revenue:		
Public School Preschool	Salaries and wages	\$ 7,111
Miscellaneous State Grants	Salaries and wages	25,954
	Purchased services	930,660
EHA Preschool Grant	Salaries and wages	17,973
	Materials and supplies	5,323
Miscellaneous Federal Grants	Salaries and wages	86,288
	Fringe benefits	41,077
	Purchased services	999,087
	Capital outlay - new	179,486
	Other	5,000
Miscellaneous Local Grants	Salaries and wages	69,253
	Fringe benefits	10,665
	Purchased services	40,055
	Materials and supplies	6,703
	Capital outlay - new	1,191
Eisenhower	Purchased services	3,638
	Materials and supplies	3,764
Excellence in Education	Salaries and wages	36,200
	Fringe benefits	5,870
	Purchased services	227,671
	Materials and supplies	5,259
Capital Projects:		
Telecommunity	Purchased services	24,000
	Capital outlay - new	195,777
Internal Service:		
Rotary	Materials and supplies	1,184

As a result of the Treasurer not obtaining approval for the final appropriations from the Board of Governors, various expenditures plus outstanding encumbrances exceeded appropriations within the various funds at June 30, 2000. This occurred as a result of turnover in personnel within the Treasurer's Office and the final appropriation measure was not brought before the Board for approval.

Combining, Individual Fund and
Account Group
Financial Statements and 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, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 2,258,257	\$ 2,559,835	\$ 301,578
Interest	216,600	258,060	41,460
Tuition and fees	274,032	307,631	33,599
Customer services	2,574,222	2,895,107	320,885
Miscellaneous	33,400	32,477	(923)
Total revenues	5,356,511	6,053,110	696,599
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular:			
Purchased services	204,666	22,490	182,176
Materials and supplies	61,035	-	61,035
Total regular	265,701	22,490	243,211
Special:			
Salaries and wages	671,181	910,105	(238,924)
Fringe benefits	153,485	190,561	(37,076)
Purchased services	88,771	33,435	55,336
Materials and supplies	10,200	11,988	(1,788)
Capital outlay - new	4,000	219	3,781
Total special	927,637	1,146,308	(218,671)
Vocational:			
Salaries and wages	188,535	153,092	35,443
Fringe benefits	38,418	36,122	2,296
Purchased services	23,817	9,250	14,567
Materials and supplies	8,900	7,012	1,888
Capital outlay - new	-	5,051	(5,051)
Total vocational	259,670	210,527	49,143
Total instruction	1,453,008	1,379,325	73,683
Support services:			
Pupils:			
Salaries and wages	994,765	992,008	2,757
Fringe benefits	231,864	217,103	14,761
Purchased services	238,371	269,939	(31,568)
Materials and supplies	17,650	8,847	8,803
Capital outlay - replacement	3,804	-	3,804
Total pupils	1,486,454	1,487,897	(1,443)

(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, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Instructional staff:			
Salaries and wages	811,029	834,521	(23,492)
Fringe benefits	185,164	190,738	(5,574)
Purchased services	242,535	190,767	51,768
Materials and supplies	58,622	60,576	(1,954)
Capital outlay - new	1,500	3,995	(2,495)
Other	4,001	5,070	(1,069)
Total instructional staff	1,302,851	1,285,667	17,184
Board of education:			
Salaries and wages	4,800	8,320	(3,520)
Fringe benefits	779	1,295	(516)
Purchased services	14,000	8,161	5,839
Materials and supplies	500	193	307
Other	8,100	6,757	1,343
Total board of education	28,179	24,726	3,453
Administration:			
Salaries and wages	238,198	195,662	42,536
Fringe benefits	63,475	62,349	1,126
Purchased services	146,254	99,507	46,747
Materials and supplies	1,700	479	1,221
Capital outlay - new	-	3,205	(3,205)
Other	3,000	1,820	1,180
Total administration	452,627	363,022	89,605
Fiscal:			
Salaries and wages	143,622	140,882	2,740
Fringe benefits	41,819	37,365	4,454
Purchased services	12,850	10,039	2,811
Materials and supplies	4,172	3,380	792
Other	17,375	25,039	(7,664)
Total fiscal	219,838	216,705	3,133
Business:			
Salaries and wages	7,043	1,920	5,123
Fringe benefits	1,134	303	831
Purchased services	13,750	10,034	3,716
Materials and supplies	24,720	40,791	(16,071)
Capital outlay - new	5,000	1,596	3,404
Other	200	60	140
Total business	51,847	54,704	(2,857)

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, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Operation and maintenance of plant:			
Purchased services	87,600	64,911	22,689
Materials and supplies	6,602	4,429	2,173
Capital outlay - new	49,460	42,002	7,458
Total operation and maintenance of plant	<u>143,662</u>	<u>111,342</u>	<u>32,320</u>
Central:			
Salaries and wages	30,700	45,767	(15,067)
Fringe benefits	17,495	12,493	5,002
Purchased services	119,235	65,205	54,030
Materials and supplies	400	827	(427)
Total central	<u>167,830</u>	<u>124,292</u>	<u>43,538</u>
Total support services	<u>3,853,288</u>	<u>3,668,355</u>	<u>184,933</u>
Capital outlay:			
Facilities acquisition and construction services:			
Site acquisition services:			
Capital outlay - new	-	1,110	(1,110)
Total expenditures	<u>5,306,296</u>	<u>5,048,790</u>	<u>257,506</u>
Excess of revenues over expenditures	<u>50,215</u>	<u>1,004,320</u>	<u>954,105</u>
<u>Other financing sources (uses):</u>			
Advances in	165,216	165,216	-
Advances out	(90,000)	(321,605)	(231,605)
Total other financing sources (uses)	<u>75,216</u>	<u>(156,389)</u>	<u>(231,605)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	125,431	847,931	722,500
Fund balance at beginning of year	1,421,259	1,421,259	-
Prior year encumbrances appropriated	136,616	136,616	-
Fund balance at end of year	<u>\$ 1,683,306</u>	<u>\$ 2,405,806</u>	<u>\$ 722,500</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:

Miscellaneous Local Grants

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.

Management Information Systems

To account for state funds provide 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.

SchoolNet Professional Development

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

Miscellaneous State Grants

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

Eisenhower

To account for federal funds used 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 Grants

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

Summit County Educational Service Center
Combining Balance Sheet
All Special Revenue Funds
June 30, 2000

	<u>Miscellaneous Local Grants</u>	<u>Excellence in Education</u>	<u>Management Information Systems</u>	<u>Public School Preschool</u>
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 16,202	\$ 258	\$ -	\$ 65,033
Receivables:				
Intergovernmental	53,335	-	-	-
Total assets	<u>\$ 69,537</u>	<u>\$ 258</u>	<u>\$ -</u>	<u>\$ 65,033</u>
<u>Liabilities and fund equity :</u>				
<u>Liabilities:</u>				
Accounts payable	\$ 519	\$ -	\$ -	\$ 22,110
Accrued wages	2,151	-	-	-
Compensated absences payable	-	-	-	-
Interfund payable	10,644	-	-	-
Intergovernmental payable	2,906	195	16	255
Total liabilities	<u>16,220</u>	<u>195</u>	<u>16</u>	<u>22,365</u>
<u>Fund equity:</u>				
Fund balance:				
Reserved for encumbrances	15,682	258	-	2,890
Unreserved, undesignated	37,635	(195)	(16)	39,778
Total fund equity	<u>53,317</u>	<u>63</u>	<u>(16)</u>	<u>42,668</u>
Total liabilities and fund equity	<u>\$ 69,537</u>	<u>\$ 258</u>	<u>\$ -</u>	<u>\$ 65,033</u>

SchoolNet Professional Development	Miscellaneous State Grants	Eisenhower	Vocational Education	EHA Preschool Grant	Miscellaneous Federal Grants	Total All Funds
\$ 2,000	\$ 16,335	\$ 28,610	\$ -	\$ 1,844	\$ 385,329	\$ 515,611
-	-	-	-	-	-	53,335
<u>\$ 2,000</u>	<u>\$ 16,335</u>	<u>\$ 28,610</u>	<u>\$ -</u>	<u>\$ 1,844</u>	<u>\$ 385,329</u>	<u>\$ 568,946</u>
\$ -	\$ -	\$ 1,675	\$ -	\$ -	\$ 11,286	\$ 35,590
-	2,042	-	-	-	10,304	14,497
-	-	-	-	-	4,065	4,065
-	-	8,019	-	940	302,002	321,605
-	491	-	-	59	5,545	9,467
-	<u>2,533</u>	<u>9,694</u>	-	<u>999</u>	<u>333,202</u>	<u>385,224</u>
-	7,207	1,782	-	1,844	333,246	362,909
<u>2,000</u>	<u>6,595</u>	<u>17,134</u>	-	<u>(999)</u>	<u>(281,119)</u>	<u>(179,187)</u>
<u>2,000</u>	<u>13,802</u>	<u>18,916</u>	-	<u>845</u>	<u>52,127</u>	<u>183,722</u>
<u>\$ 2,000</u>	<u>\$ 16,335</u>	<u>\$ 28,610</u>	<u>\$ -</u>	<u>\$ 1,844</u>	<u>\$ 385,329</u>	<u>\$ 568,946</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, 2000

	Miscellaneous Local Grants	Excellence in Education	Management Information Systems	Public School Preschool
<u>Revenues:</u>				
Intergovernmental	\$ 183,994	\$ 275,000	\$ 3,000	\$ 185,445
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	-	-	-	-
Special	67,384	-	-	119,207
Vocational	-	-	-	-
Support services:				
Pupils	21,068	-	-	26,901
Instructional staff	27,967	274,448	-	-
Administration	-	-	2,999	-
Fiscal	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Pupil transportation	200	-	-	22,849
Central	13,304	-	-	3,000
Operation of non-instructional services	852	-	-	-
Total expenditures	<u>130,775</u>	<u>274,448</u>	<u>2,999</u>	<u>171,957</u>
Excess of revenues over (under) expenditures	<u>53,219</u>	<u>552</u>	<u>1</u>	<u>13,488</u>
<u>Other financing uses:</u>				
Operating transfers out	<u>(4,506)</u>	<u>-</u>	<u>-</u>	<u>(5,751)</u>
Excess of revenues over (under) expenditures and other financing uses	48,713	552	1	7,737
Fund balances (deficit) at beginning of year	<u>4,604</u>	<u>(489)</u>	<u>(17)</u>	<u>34,931</u>
Fund balances (deficit) at end of year	<u>\$ 53,317</u>	<u>\$ 63</u>	<u>\$ (16)</u>	<u>\$ 42,668</u>

<u>SchoolNet Professional Development</u>	<u>Miscellaneous State Grants</u>	<u>Eisenhower</u>	<u>Vocational Education</u>	<u>EHA Preschool Grant</u>	<u>Miscellaneous Federal Grants</u>	<u>Total All Funds</u>
\$ 2,000	\$ -	\$ 59,116	\$ 4,841	\$ 36,105	\$ 1,680,470	\$ 2,429,971
-	-	58,430	-	-	-	58,430
-	-	-	-	31,936	-	218,527
-	-	-	-	-	155,907	155,907
-	-	-	-	5,905	338	54,212
-	1,742	-	-	-	1,294,651	1,598,808
-	-	-	-	-	12,121	15,120
-	-	-	-	-	5,000	5,000
-	1,233,413	-	-	-	-	1,233,413
-	-	-	-	-	-	23,049
-	6,176	-	-	-	86,857	109,337
-	-	-	-	-	-	852
-	<u>1,241,331</u>	<u>58,430</u>	<u>-</u>	<u>37,841</u>	<u>1,554,874</u>	<u>3,472,655</u>
<u>2,000</u>	<u>(1,241,331)</u>	<u>686</u>	<u>4,841</u>	<u>(1,736)</u>	<u>125,596</u>	<u>(1,042,684)</u>
-	-	-	-	(2,582)	(169)	(13,008)
2,000	(1,241,331)	686	4,841	(4,318)	125,427	(1,055,692)
-	<u>1,255,133</u>	<u>18,230</u>	<u>(4,841)</u>	<u>5,163</u>	<u>(73,300)</u>	<u>1,239,414</u>
<u>\$ 2,000</u>	<u>\$ 13,802</u>	<u>\$ 18,916</u>	<u>\$ -</u>	<u>\$ 845</u>	<u>\$ 52,127</u>	<u>\$ 183,722</u>

Summit County Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Miscellaneous Local Grants Fund
For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 241,836	\$ 188,533	\$ (53,303)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Salaries and wages	1,374	49,340	(47,966)
Fringe benefits	2,187	9,168	(6,981)
Materials and supplies	485	7,188	(6,703)
Capital outlay - new	2,039	3,230	(1,191)
Total instruction	6,085	68,926	(62,841)
Support services:			
Pupils:			
Fringe benefits	311	2,748	(2,437)
Purchased services	1,136	22,068	(20,932)
Total pupils	1,447	24,816	(23,369)
Instructional staff:			
Salaries and wages	3,291	24,578	(21,287)
Fringe benefits	2,129	3,376	(1,247)
Total instructional staff	5,420	27,954	(22,534)
Pupil transportation:			
Materials and supplies	200	200	-
Central:			
Purchased services	-	19,123	(19,123)
Total support services	7,067	72,093	(65,026)
Community services:			
Materials and supplies	852	852	-
Total expenditures	14,004	141,871	(127,867)
Excess of revenues over expenditures	227,832	46,662	(181,170)

Summit County Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Miscellaneous Local Grants Fund
For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Other financing sources (uses):</u>			
Advances in	10,644	10,644	-
Advances out	(63,462)	(63,462)	-
Operating transfers out	-	(4,506)	(4,506)
Total other financing sources (uses)	(52,818)	(57,324)	(4,506)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	175,014	(10,662)	(185,676)
Fund balance at beginning of year	-	-	-
Prior year encumbrances appropriated	10,662	10,662	-
Fund balance at end of year	<u>\$ 185,676</u>	<u>\$ -</u>	<u>\$ (185,676)</u>

Summit County Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Excellence in Education Fund
For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 275,000	\$ 275,000	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff:			
Salaries and wages	-	36,200	(36,200)
Fringe benefits	-	5,870	(5,870)
Purchased services	-	227,671	(227,671)
Materials and supplies	-	5,259	(5,259)
Total expenditures	-	275,000	(275,000)
Excess of revenues over expenditures	275,000	-	(275,000)
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ 275,000	\$ -	\$ (275,000)

Summit County Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Management Information Systems Fund
For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 3,000	\$ 3,000	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Administration:			
Salaries and wages	3,000	3,000	-
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 - Public School Preschool Fund
For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 159,885	\$ 185,445	\$ 25,560
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Salaries and wages	96,270	102,287	(6,017)
Fringe benefits	23,861	3,888	19,973
Purchased services	825	795	30
Materials and supplies	12,954	12,149	805
Total instruction	<u>133,910</u>	<u>119,119</u>	<u>14,791</u>
Support services:			
Pupils:			
Salaries and wages	3,673	4,767	(1,094)
Fringe benefits	606	222	384
Purchased services	50,000	50,015	(15)
Total pupils	<u>54,279</u>	<u>55,004</u>	<u>(725)</u>
Pupil transportation:			
Purchased services	23,892	22,849	1,043
Central:			
Purchased services	8,086	3,000	5,086
Total support services	<u>86,257</u>	<u>80,853</u>	<u>5,404</u>
Total expenditures	<u>220,167</u>	<u>199,972</u>	<u>20,195</u>
Excess of revenues under expenditures	<u>(60,282)</u>	<u>(14,527)</u>	<u>45,755</u>
<u>Other financing uses:</u>			
Operating transfers out	-	(5,751)	(5,751)
Excess of revenues under expenditures and other financing uses	(60,282)	(20,278)	40,004
Fund balance at beginning of year	60,282	60,282	-
Prior year encumbrances appropriated	29	29	-
Fund balance at end of year	<u>\$ 29</u>	<u>\$ 40,033</u>	<u>\$ 40,004</u>

Summit County Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - SchoolNet Professional Development Fund
For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 1,000	\$ 2,000	\$ 1,000
<u>Expenditures:</u>			
Total expenditures	-	-	-
Excess of revenues over expenditures	1,000	2,000	1,000
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ 1,000	\$ 2,000	\$ 1,000

Summit County Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Miscellaneous State Grants Fund
For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Total revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff:			
Purchased services	-	1,867	(1,867)
Operation and maintenance of plant:			
Salaries and wages	40,637	66,591	(25,954)
Fringe benefits	13,727	10,492	3,235
Purchased services	413,204	1,407,973	(994,769)
Materials and supplies	8,870	223	8,647
Other	335,548	57	335,491
Total operation and maintenance of plant	811,986	1,485,336	(673,350)
Central:			
Purchased services	74,542	8,566	65,976
Total expenditures	886,528	1,495,769	(609,241)
Excess of revenues under expenditures	(886,528)	(1,495,769)	(609,241)
Fund balance at beginning of year	889,986	889,986	-
Prior year encumbrances appropriated	614,910	614,910	-
Fund balance at end of year	\$ 618,368	\$ 9,127	\$ (609,241)

Summit County Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Eisenhower Fund
For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 72,562	\$ 59,116	\$ (13,446)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular:			
Purchased services	20,710	24,348	(3,638)
Materials and supplies	33,971	37,735	(3,764)
Total expenditures	54,681	62,083	(7,402)
Excess of revenues over (under) expenditures	17,881	(2,967)	(20,848)
<u>Other financing sources (uses):</u>			
Advances in	8,019	8,019	-
Advances out	(1,583)	(1,583)	-
Total other financing sources (uses)	6,436	6,436	-
Excess of revenues and other financing sources over expenditures and other financing uses	24,317	3,469	(20,848)
Fund balance at beginning of year	9,020	9,020	-
Prior year encumbrances appropriated	12,743	12,743	-
Fund balance at end of year	\$ 46,080	\$ 25,232	\$ (20,848)

Summit County Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Vocational Education Fund
For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 4,841	\$ 4,841	\$ -
<u>Expenditures:</u>			
Total expenditures	-	-	-
Excess of revenues over expenditures	4,841	4,841	-
<u>Other financing uses:</u>			
Advances out	(4,841)	(4,841)	-
Excess of revenues over (under) expenditures and other financing uses	-	-	-
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 - EHA Preschool Grant Fund
For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 49,403	\$ 36,105	\$ (13,298)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Salaries and wages	12,100	27,092	(14,992)
Fringe benefits	3,030	1,182	1,848
Materials and supplies	177	5,500	(5,323)
Total instruction	15,307	33,774	(18,467)
Support services:			
Pupils:			
Salaries and wages	2,838	5,819	(2,981)
Fringe benefits	560	90	470
Total support services	3,398	5,909	(2,511)
Total expenditures	18,705	39,683	(20,978)
Excess of revenues over (under) expenditures	30,698	(3,578)	(34,276)
<u>Other financing sources (uses):</u>			
Advances in	940	940	-
Operating transfers out	-	(2,582)	(2,582)
Total other financing sources (uses)	940	(1,642)	(2,582)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	31,638	(5,220)	(36,858)
Fund balance at beginning of year	5,117	5,117	-
Prior year encumbrances appropriated	103	103	-
Fund balance at end of year	\$ 36,858	\$ -	\$ (36,858)

Summit County Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Miscellaneous Federal Grants Fund
For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 1,713,374	\$ 1,680,470	\$ (32,904)
<u>Expenditures:</u>			
Current:			
Instruction:			
Vocational:			
Salaries and wages	31,906	36,669	(4,763)
Fringe benefits	13,786	20,743	(6,957)
Purchased services	6,373	123,963	(117,590)
Materials and supplies	5,428	922	4,506
Capital outlay - new	5,816	1,458	4,358
Total instruction	63,309	183,755	(120,446)
Support services:			
Pupils:			
Salaries and wages	104	248	(144)
Fringe benefits	59	163	(104)
Purchased services	25	170	(145)
Materials and supplies	-	402	(402)
Total pupils	188	983	(795)
Instructional staff:			
Salaries and wages	165,253	246,634	(81,381)
Fringe benefits	47,337	81,353	(34,016)
Purchased services	190,514	1,068,551	(878,037)
Materials and supplies	67,118	12,390	54,728
Capital outlay - new	129,063	312,907	(183,844)
Total instructional staff	599,285	1,721,835	(1,122,550)
Administration:			
Purchased services	-	13,021	(13,021)
Fiscal:			
Other	-	5,000	(5,000)
Central:			
Purchased services	55,739	46,033	9,706
Materials and supplies	132,624	57,487	75,137
Total central	188,363	103,520	84,843
Total support services	787,836	1,844,359	(1,056,523)
Total expenditures	851,145	2,028,114	(1,176,969)

Summit County Educational Service Center
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Miscellaneous Federal Grants Fund
For the Fiscal Year Ended June 30, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Excess of revenues over (under) expenditures	862,229	(347,644)	(1,209,873)
<u>Other financing sources (uses):</u>			
Advances in	302,002	302,002	-
Advances out	(95,330)	(95,330)	-
Operating transfers out	(170)	(169)	1
Total other financing sources (uses)	206,502	206,503	1
Excess of revenues and other financing sources over (under) expenditures and other financing uses	1,068,731	(141,141)	(1,209,872)
Fund deficit at beginning of year	(646,664)	(646,664)	-
Prior year encumbrances appropriated	823,886	823,886	-
Fund balance at end of year	\$ 1,245,953	\$ 36,081	\$ (1,209,872)

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, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$ 300,000	\$ 275,000	\$ (25,000)
<u>Expenditures:</u>			
Current:			
Support services:			
Instructional staff:			
Purchased services	-	24,000	(24,000)
Capital outlay - new	146,407	342,184	(195,777)
Total expenditures	146,407	366,184	(219,777)
Excess of revenues over (under) expenditures	153,593	(91,184)	(244,777)
Fund balance at beginning of year	181,446	181,446	-
Prior year encumbrances appropriated	8,561	8,561	-
Fund balance at end of year	\$ 343,600	\$ 98,823	\$ (244,777)

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, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for services	\$ 13,300	\$ 36,205	\$ 22,905
<u>Expenses:</u>			
Purchased services:			
Instructional staff	87,046	24,966	62,080
Administrative	5,000	6,211	(1,211)
Fiscal services	4,320	915	3,405
Total purchased services	96,366	32,092	64,274
Materials and supplies:			
Special instruction	-	748	(748)
Instructional staff	-	240	(240)
Administrative	-	196	(196)
Total materials and supplies	-	1,184	(1,184)
Capital outlay:			
Capital outlay - new:			
Instructional staff	2,186	755	1,431
Total expenses	98,552	34,031	64,521
Excess of revenues over (under) expenses	(85,252)	2,174	87,426
Fund equity at beginning of year	93,552	93,552	-
Prior year encumbrances appropriated	2,637	2,637	-
Fund equity at end of year	\$ 10,937	\$ 98,363	\$ 87,426

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, 2000

	Expendable	Agency Funds		Totals
	Trust Fund	District	NEONET	
	Special Trust	Agency Fund	Fund	
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 361,912	\$ 6,194	\$ 1,556,690	\$ 1,924,796
<u>Receivables:</u>				
Accounts	534	-	30	564
Intergovernmental	75	-	59,656	59,731
Prepaid items	-	-	235	235
Total assets	<u>\$ 362,521</u>	<u>\$ 6,194</u>	<u>\$ 1,616,611</u>	<u>\$ 1,985,326</u>
 <u>Liabilities and fund equity :</u>				
<u>Liabilities:</u>				
Accounts payable	\$ -	\$ -	\$ 14,915	\$ 14,915
Accrued wages	-	-	22,981	22,981
Compensated absences payable	-	-	7,718	7,718
Intergovernmental payable	34,643	-	5,143	39,786
Undistributed monies	-	6,194	1,565,854	1,572,048
Total liabilities	<u>34,643</u>	<u>6,194</u>	<u>1,616,611</u>	<u>1,657,448</u>
 <u>Fund equity:</u>				
Reserved for encumbrances	6,070	-	-	6,070
Unreserved, undesignated	321,808	-	-	321,808
Total liabilities and fund equity	<u>\$ 362,521</u>	<u>\$ 6,194</u>	<u>\$ 1,616,611</u>	<u>\$ 1,985,326</u>

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, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Gifts and donations	\$ 33,050	\$ 43,110	\$ 10,060
Customer services	137,076	95,516	(41,560)
Total revenues	<u>170,126</u>	<u>138,626</u>	<u>(31,500)</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Fringe benefits	92	15,616	(15,524)
Purchased services	3,478	482	2,996
Materials and supplies	3,761	614	3,147
Total special	<u>7,331</u>	<u>16,712</u>	<u>(9,381)</u>
Vocational:			
Fringe benefits	7,085	307	6,778
Purchased services	8,090	4,799	3,291
Capital outlay - new	11,988	13,289	(1,301)
Total vocational	<u>27,163</u>	<u>18,395</u>	<u>8,768</u>
Total instruction	<u>34,494</u>	<u>35,107</u>	<u>(613)</u>
Support services:			
Pupils:			
Fringe benefits	410	153	257
Instructional staff:			
Fringe benefits	51,126	7,811	43,315
Purchased services	696	5,498	(4,802)
Materials and supplies	178	554	(376)
Total instructional staff	<u>52,000</u>	<u>13,863</u>	<u>38,137</u>
Administration:			
Purchased services	66,556	57,309	9,247
Materials and supplies	3,254	2,522	732
Total administration	<u>69,810</u>	<u>59,831</u>	<u>9,979</u>
Central:			
Purchased services	198,249	27,640	170,609
Materials and supplies	-	93	(93)
Capital outlay - new	9,166	-	9,166
Total central	<u>207,415</u>	<u>27,733</u>	<u>179,682</u>
Total support services	<u>329,635</u>	<u>101,580</u>	<u>228,055</u>

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, 2000

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Extracurricular activities:			
Academic and subject oriented activities:			
Purchased services	1,009	1,936	(927)
Materials and supplies	1,271	239	1,032
Total extracurricular activities	2,280	2,175	105
Total expenditures	366,409	138,862	227,547
Excess of revenues under expenditures	(196,283)	(236)	196,047
<u>Other financing sources:</u>			
Operating transfers in	-	13,008	13,008
Excess of revenues and other financing sources over (under) expenditures	(196,283)	12,772	209,055
Fund balance at beginning of year	316,866	316,866	-
Prior year encumbrances appropriated	26,204	26,204	-
Fund balance at end of year	\$ 146,787	\$ 355,842	\$ 209,055

Summit County Educational Service Center
Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2000

	Beginning Balance June 30, 1999	Additions	Deductions	Ending Balance June 30, 2000
<u>District Agency</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 3,751	\$ 2,443	\$ -	\$ 6,194
<u>Liabilities:</u>				
Undistributed monies	\$ 3,751	\$ 2,443	\$ -	\$ 6,194
 <u>NEONET</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 1,427,079	\$ 129,611	\$ -	\$ 1,556,690
Accounts receivable	-	30	-	30
Intergovernmental receivable	27,060	59,656	27,060	59,656
Prepaid items	491	235	491	235
Total assets	<u>\$ 1,454,630</u>	<u>\$ 189,532</u>	<u>\$ 27,551</u>	<u>\$ 1,616,611</u>
<u>Liabilities:</u>				
Accounts payable	\$ 36,280	\$ 14,915	\$ 36,280	\$ 14,915
Accrued wages	2,698	22,981	2,698	22,981
Compensated Absences	-	7,718	-	7,718
Intergovernmental payable	11,892	5,143	11,892	5,143
Undistributed monies	1,403,760	240,402	78,308	1,565,854
Total liabilities	<u>\$ 1,454,630</u>	<u>\$ 291,159</u>	<u>\$ 129,178</u>	<u>\$ 1,616,611</u>
 <u>Total All Agency Funds</u>				
<u>Assets:</u>				
Equity in pooled cash and cash equivalents	\$ 1,430,830	\$ 132,054	\$ -	\$ 1,562,884
Accounts receivable	-	30	-	30
Intergovernmental receivable	27,060	59,656	27,060	59,656
Prepaid items	491	235	491	235
Total assets	<u>\$ 1,458,381</u>	<u>\$ 191,975</u>	<u>\$ 27,551</u>	<u>\$ 1,622,805</u>
<u>Liabilities:</u>				
Accounts payable	\$ 36,280	\$ 14,915	\$ 36,280	\$ 14,915
Accrued wages	2,698	22,981	2,698	22,981
Compensated absences payable	-	7,718	-	7,718
Intergovernmental payable	11,892	5,143	11,892	5,143
Undistributed monies	1,407,511	242,845	78,308	1,572,048
Total liabilities	<u>\$ 1,458,381</u>	<u>\$ 293,602</u>	<u>\$ 129,178</u>	<u>\$ 1,622,805</u>

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
June 30, 2000

General fixed assets:

Furniture and equipment	\$ 894,155
Vehicles	<u>14,707</u>
Total general fixed assets	<u>\$ 908,862</u>

Investment in general fixed assets

by source:

Acquired before July 1, 1995	\$ 286,243
General fund	266,159
Grants	<u>356,460</u>
Total general fixed assets	<u>\$ 908,862</u>

Summit County Educational Service Center
Schedule of General Fixed Assets by Function and Activity
June 30, 2000

<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	540,366	-	540,366
Administrative	2,265	-	2,265
Fiscal	3,815	-	3,815
Business	-	14,707	14,707
Plant operation and maintenance	223,840	-	223,840
Central	1,499	-	1,499
Capital outlay	1,110	-	1,110
Total general fixed assets	<u>\$ 894,155</u>	<u>\$ 14,707</u>	<u>\$ 908,862</u>

Summit County Educational Service Center
Schedule of Changes in General Fixed Assets by Function
For the Fiscal Year Ended June 30, 2000

Function	Balance June 30, 1999	Additions	Deletions	Balance June 30, 2000
Instruction:				
Regular	\$ 12,061	\$ -	\$ -	\$ 12,061
Special	30,910	-	-	30,910
Vocational	78,289	-	-	78,289
Support services:				
Staff	424,901	115,465	-	540,366
Administrative	-	2,265	-	2,265
Fiscal	3,815	-	-	3,815
Business	14,800	14,707	14,800	14,707
Plant operation and maintenance	200,788	23,052	-	223,840
Central	1,499	-	-	1,499
Capital outlay	-	1,110	-	1,110
Total general fixed assets	\$ 767,063	\$ 156,599	\$ 14,800	\$ 908,862

STATISTICAL SECTION



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Summit County Educational Service Center

Revenues by Source and Expenditures by Function

Last Ten Fiscal Years (1)

	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1997
Revenues:				
Intergovernmental	\$ 5,256,585	\$ 7,014,005	\$ 7,833,745	\$ 5,328,802
Interest	269,925	276,738	142,546	75,196
Tuition and fees	345,943	221,641	270,300	332,772
Gifts and donations	43,110	-	-	-
Services provided to other entities	2,701,100	2,260,906	1,650,305	-
Other local revenues	-	-	-	1,028,464
Classroom materials and fees	-	-	4,407	-
Miscellaneous	33,086	282,422	87,810	-
Total revenues	\$ 8,649,749	\$ 10,055,712	\$ 9,989,113	\$ 6,765,234
Expenditures:				
Current:				
Instruction:				
Regular	\$ 80,920	\$ 86,115	\$ 309,287	\$ 69,646
Special	1,471,551	959,153	831,090	536,933
Vocational	362,991	540,220	487,390	494,721
Support services:				
Pupil	1,583,520	2,282,164	1,633,010	1,488,750
Instructional staff	3,272,104	2,677,485	2,459,005	2,591,182
Board of education	24,080	38,178	19,072	19,912
School administration	441,680	556,977	1,102,981	538,532
Fiscal	219,127	256,703	265,432	171,943
Business	65,241	41,757	32,959	49,946
Operation and maintenance of plant	1,305,568	1,609,638	119,804	42,495
Pupil transportation	23,049	22,791	21,047	20,861
Central	253,313	679,853	254,114	255,177
Community services	852	3,286	16,400	3,837
Extracurricular activities	2,175	36,237	1,571	-
Capital outlay	1,110	2,864	2,704	1,864
Debt service:				
Principal retirement	29,349	-	-	-
Interest and fiscal charges	1,217	-	-	-
Total expenditures	\$ 9,137,847	\$ 9,793,421	\$ 7,555,866	\$ 6,285,799

Source: FY1990 - FY1994 Service Center financial records; FY1995 - FY2000 Service Center Audit Reports

Note: General government includes all governmental funds and expendable trust fund.

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

Fiscal Year Ended June 30, 1996	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
\$ 4,358,049	\$ 3,858,352	\$ 3,722,853	\$ 2,924,935	\$ 2,779,603	\$ 2,030,532
58,354	41,540	14,920	13,361	14,424	21,014
246,049	17,874	16,333	1,180	9,038	-
-	-	-	-	-	-
-	-	-	-	-	-
1,286,739	1,195,585	1,324,262	654,764	801,129	369,500
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 5,949,191</u>	<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>

\$ 73,409	\$ 196,161	\$ 251,223	\$ 425,806	\$ 414,311	\$ 350,729
726,379	763,597	541,491	469,883	223,845	130,995
236,331	187,042	153,635	286,842	126,865	83,099
1,609,820	1,536,842	1,411,975	1,376,689	1,182,748	862,824
2,406,964	1,874,795	1,190,167	756,370	765,494	639,773
24,268	22,360	11,354	7,942	13,546	14,316
526,276	523,303	375,363	384,438	368,630	214,996
192,833	161,365	141,037	137,643	72,434	2,340
54,387	52,082	44,443	18,042	12,841	12,552
82,764	80,373	80,811	36,818	21,250	15,901
20,881	-	28,051	7,831	3,425	-
287,676	108,254	435,579	135,237	27,486	7,019
15,000	42,995	27,877	-	-	-
1,166	991	1,618	1,300	1,300	1,300
-	-	319	3,630	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 6,258,154</u>	<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>

Summit County Educational Service Center

General Fund Cash Balance History

Last Ten Fiscal Years (1)

	<u>Fiscal Year Ended June 30, 2000</u>	<u>Fiscal Year Ended June 30, 1999</u>	<u>Fiscal Year Ended June 30, 1998</u>	<u>Fiscal Year Ended June 30, 1997</u>
Fund balance, unreserved	\$ 1,435,835	966,470	440,924	(178,884)
Total fund equity	\$ 1,907,785	1,238,107	862,301	124,746
Cash balance	\$ 2,486,780	1,557,876	1,188,726	635,018
Cash balance: less encumbrances	\$ 2,023,452	1,421,260	909,906	410,957

Source: FY1990 - FY1994 Service Center financial records; FY1995 - FY2000 Service Center Audit Reports

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

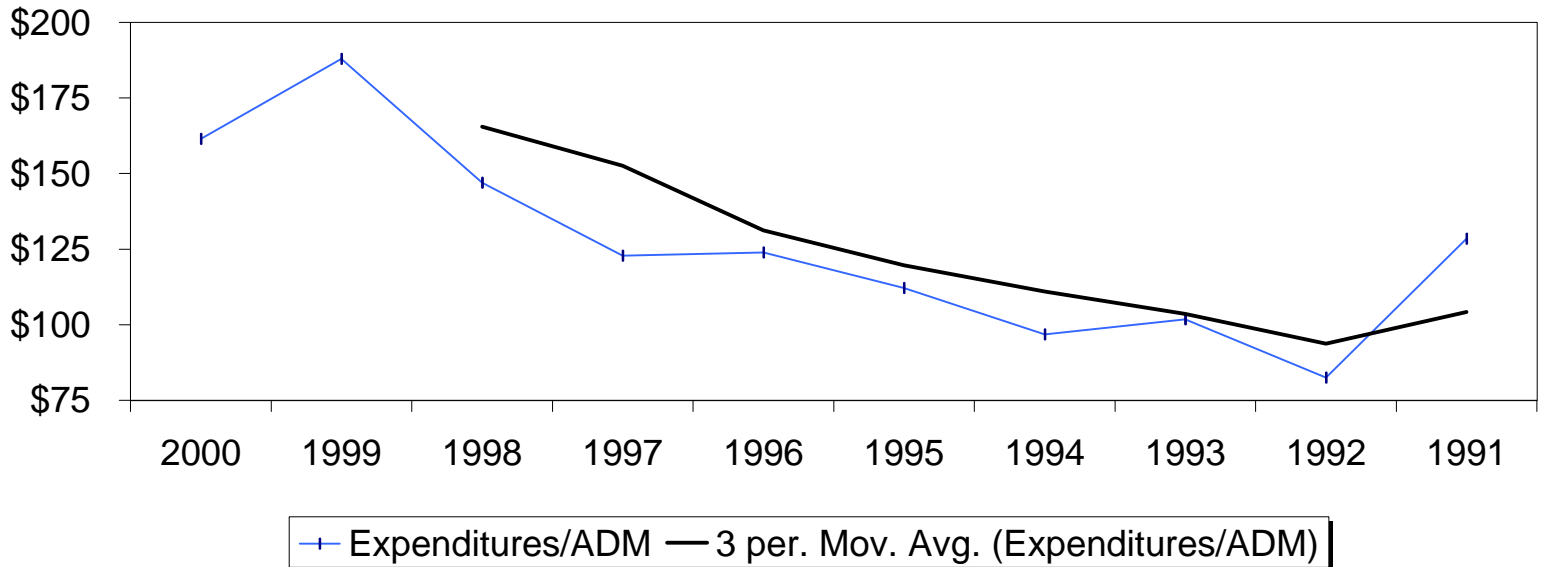
N/A No fund balance or fund equity due to amounts reported on cash basis only.

<u>Fiscal Year Ended June 30, 1996</u>	<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>
(434,963)	(219,035)	N/A	N/A	N/A	N/A
(333,058)	(96,246)	N/A	N/A	N/A	N/A
356,788	288,842	662,362	256,245	700,590	320,669
97,528	158,520	595,596	231,356	468,423	319,487

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

Fiscal Year Ended June 30	2000	1999	1998	1997	1996	1995	1994	1993	1992
Expenditures	\$ 9,137,847	9,793,421	7,555,866	6,285,799	6,258,154	5,550,160	4,694,943	4,048,471	3,234,175
ADM	56,599	52,104	51,418	51,163	50,498	49,505	48,495	39,777	39,186
Expenditures/ADM	\$ 161	188	147	123	124	112	97	102	83

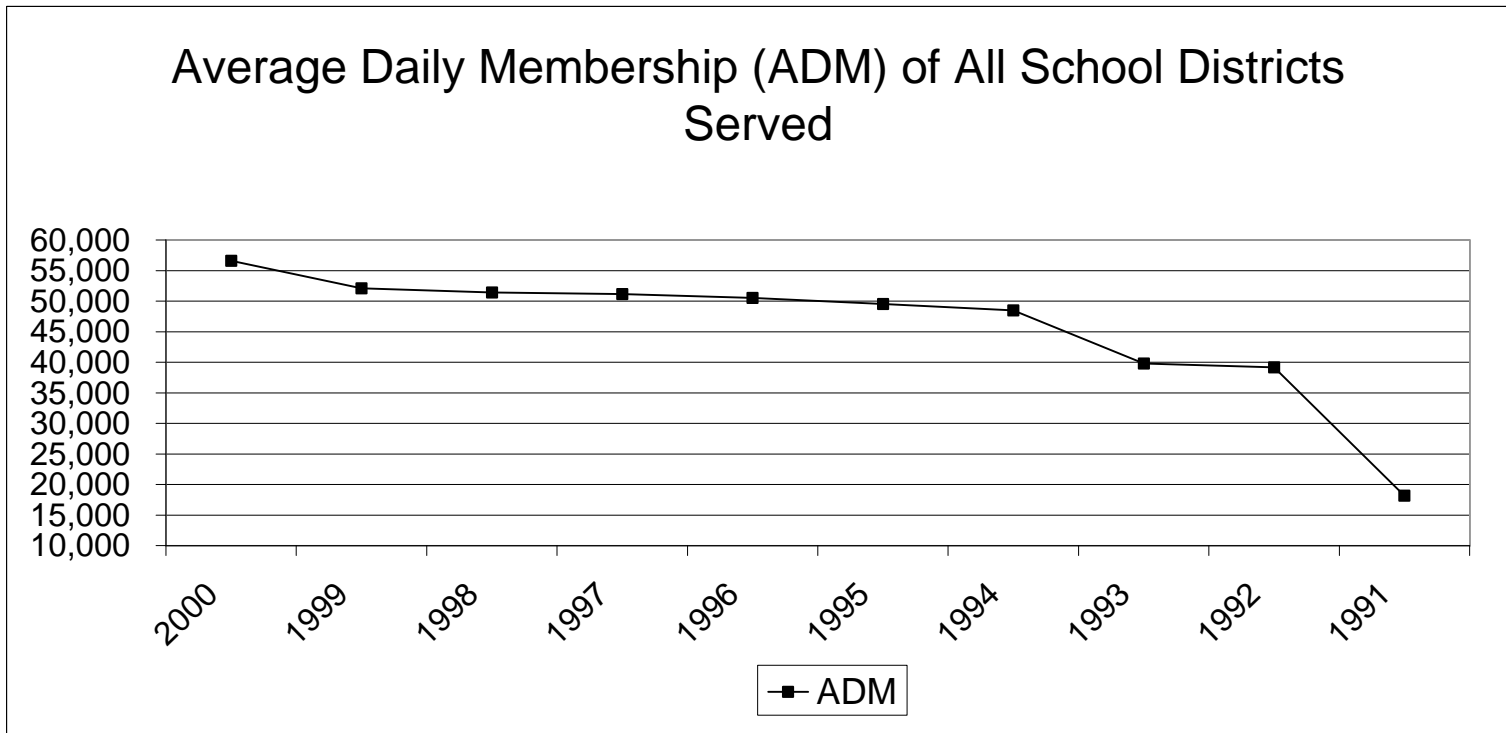
Expenditures per Average Daily Membership (ADM)



Summit County Educational Service Center

**Average Daily Membership (ADM) of All School Districts Served
Last Ten Fiscal Years**

Fiscal Year Ended June 30	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
ADM	56,599	52,104	51,418	51,163	50,498	49,505	48,495	39,777	39,186	18,186
Percent Change	8.63%	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,	Barberton City School District			Copley-Fairlawn City School District		
	1999	1998	1997	1999	1998	1997
Fall Enrollment	4,323	3,892	4,375	2,819	2,669	2,606
<u>Demographic Data:</u>						
Average Income	\$ 30,381	26,811	25,619	61,000	50,276	47,633
Property Valuation/Pupil	83,388	77,489	59,745	231,109	193,478	174,345
<u>Fiscal Data:</u>						
Effective Mills	26.02	28.16	32.71	27.54	27.56	32.28
Average Teacher Salary	\$ 41,153	41,153	39,443	45,028	44,805	43,524
<u>Staff Data:</u>						
Percent of Teachers With No Degree	0.19%	0.00	0.00	0.00	0.69	0.75
Percent of Teachers With Bachelor Degree	19.82%	21.34	21.92	19.08	17.90	15.81
Percent of Teachers With Masters Degree	48.38%	45.06	33.59	46.05	46.22	45.38
Average Teacher Experience (yrs.)	15.20	16.30	16.40	13.90	14.90	14.90
<u>Output:</u>						
Pupil Attendance Rate	92.50%	92.50	92.53	96.00	96.35	96.29
Graduation Rate	81.50%	87.50	84.70	92.70	86.60	85.45

Fiscal Year Ended June 30,	Nordonia Hills City School District			Norton City School District		
	1999	1998	1997	1999	1998	1997
Fall Enrollment	3,563	3,443	3,400	2,541	2,553	2,453
<u>Demographic Data:</u>						
Average Income	\$ 45,790	39,292	37,641	38,342	33,331	32,587
Property Valuation/Pupil	205,312	159,295	129,024	97,211	80,701	72,637
<u>Fiscal Data:</u>						
Effective Mills	26.42	27.96	32.30	29.37	30.06	34.53
Average Teacher Salary	\$ 42,462	42,868	41,829	38,719	39,419	39,039
<u>Staff Data:</u>						
Percent of Teachers With No Degree	0.00%	0.00	0.00	0.72	0.00	2.20
Percent of Teachers With Bachelor Degree	17.65%	17.69	18.12	18.42	17.43	17.20
Percent of Teachers With Masters Degree	38.24%	38.74	39.04	40.89	35.58	40.34
Average Teacher Experience (yrs.)	14.30	15.50	155.00	13.60	14.10	15.70
<u>Output:</u>						
Pupil Attendance Rate	95.40%	95.69	95.94	94.30	95.15	95.22
Graduation Rate	88.70%	88.89	87.89	91.10	89.22	87.72

Source: Ohio Department of Education, Summit County Auditor

(1) Information not available for 2000

Coventry Local School District			Cuyahoga Falls City School District			Green Local School District		
1999	1998	1997	1999	1998	1997	1999	1998	1997
2,484	2,576	1,948	5,708	5,705	5,685	3,830	3,729	3,832
38,224	33,665	32,805	38,326	34,350	32,831	46,016	41,920	39,835
95,440	78,289	86,621	125,633	108,890	89,191	129,218	106,244	87,479
31.06	30.90	36.56	26.61	25.05	30.97	35.78	27.47	31.19
38,496	36,061	33,079	39,834	37,684	37,519	39,980	38,886	38,172
0.00	0.00	0.00	1.27	0.94	0.94	0.00	0.00	0.00
38.37	40.91	38.97	14.64	14.77	17.21	15.49	20.12	20.59
17.39	16.88	13.03	38.43	37.32	36.93	42.03	41.41	41.18
13.20	12.90	10.10	15.90	15.90	15.80	13.50	14.30	14.50
93.70	93.41	93.92	94.60	94.73	94.34	96.30	96.03	95.90
88.40	93.06	81.11	81.90	92.40	81.66	92.30	91.04	91.10
Revere Local School District			Springfield Local School District			Stow-Munroe Falls City School District		
1999	1998	1997	1999	1998	1997	1999	1998	1997
2,905	2,844	2,840	3,408	3,313	3,274	6,063	6,000	6,110
92,391	83,107	75,639	34,368	30,598	29,785	48,149	43,647	41,378
227,734	201,270	167,724	104,713	92,633	83,759	125,345	107,838	87,339
29.22	25.76	29.84	30.01	32.86	36.56	35.50	33.80	36.20
46,453	43,082	43,358	42,513	40,113	38,538	43,642	42,772	41,831
0.00	0.00	0.00	0.00	1.44	0.53	0.00	0.00	0.00
8.25	8.99	11.02	13.35	17.58	18.00	14.57	11.45	12.81
48.44	46.13	43.84	29.29	26.90	24.87	15.81	28.12	11.23
14.70	14.80	14.90	12.10	12.40	12.10	15.10	15.20	15.40
95.40	95.80	95.63	93.60	93.13	93.15	93.80	94.27	94.35
93.00	92.99	91.95	75.20	81.47	71.96	91.40	92.02	89.50

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		
	1999	1998	1997	1999	1998	1997
Fall Enrollment	5,442	5,380	5,398	1,493	1,463	1,495
<u>Demographic Data:</u>						
Average Income	\$ 95,897	89,602	77,279	39,503	35,067	34,122
Property Valuation/Pupil	142,408	128,986	110,692	100,057	87,712	74,404
<u>Fiscal Data:</u>						
Effective Mills	41.91	32.71	37.23	32.82	35.47	41.04
Average Teacher Salary	\$ 46,749	45,135	43,323	40,517	38,925	37,673
<u>Staff Data:</u>						
Percent of Teachers With No Degree	0.32%	0.33	0.34	0.00	0.00	0.00
Percent of Teachers With Bachelor Degree	12.35%	14.97	15.70	16.70	15.90	13.80
Percent of Teachers With Masters Degree	63.81%	62.18	60.73	36.95	38.91	35.13
Average Teacher Experience (yrs.)	13.30	13.20	13.40	15.30	14.40	14.20
<u>Output:</u>						
Pupil Attendance Rate	95.10%	95.55	95.75	95.30	95.29	95.09
Graduation Rate	94.30%	95.42	94.10	93.60	97.16	86.39

Fiscal Year Ended June 30,	Tallmadge City School District			Twinsburg City School District		
	1999	1998	1997	1999	1998	1997
Fall Enrollment	2,738	2,662	2,720	3,400	3,143	2,980
<u>Demographic Data:</u>						
Average Income	\$ 43,143	38,151	36,526	50,620	42,407	39,950
Property Valuation/Pupil	125,627	112,891	95,082	220,996	174,163	161,260
<u>Fiscal Data:</u>						
Effective Mills	29.10	30.67	35.07	32.89	24.35	28.00
Average Teacher Salary	\$ 40,066	39,248	38,553	43,938	42,870	41,448
<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	18.13%	19.84	19.37	22.08	22.56	23.71
Percent of Teachers With Masters Degree	32.04%	33.58	36.03	43.10	40.51	36.53
Average Teacher Experience (yrs.)	15.10	15.40	16.10	12.00	12.20	11.90
<u>Output:</u>						
Pupil Attendance Rate	95.60%	95.33	95.84	95.20	95.66	95.29
Graduation Rate	89.80%	92.27	83.77	92.10	96.98	87.56

Source: Ohio Department of Education

(1) Information not available for 1999

Mogadore Local School District		
1999	1998	1997
852	829	793
37,832	32,755	31,409
86,874	99,790	92,738
37.02	33.36	37.26
40,094	38,597	38,910
0.00	0.00	0.00
16.22	15.24	13.46
37.84	30.48	26.92
14.30	14.60	15.70
95.30	95.51	94.98
93.30	91.43	85.33

Woodridge Local School District		
1999	1998	1997
1,495	1,238	1,301
59,734	48,844	43,442
267,879	254,122	201,372
35.50	23.00	23.40
38,667	38,789	38,315
0.00	0.00	0.00
28.26	35.21	37.59
27.29	30.75	29.28
11.30	12.20	12.60
94.50	95.06	94.94
84.80	90.29	81.11

Total/Highest/Lowest All Districts Served					
1999		1998		1997	
53,064		51,439		51,210	
<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
95,897	30,381	89,602	26,811	77,279	25,619
267,879	83,388	254,122	77,489	201,372	59,745
41.91	26.02	35.47	23.00	41.04	23.40
46,749	38,496	45,135	36,061	43,524	33,079
1.27	0.00	1.44	0.00	2.20	0.00
38.37	0.12	40.91	8.99	38.97	11.02
48.44	0.32	62.18	16.88	60.73	11.23
15.90	11.30	16.30	12.20	155.00	10.10
96.30	0.93	96.35	92.50	96.29	92.53
93.60	0.82	97.16	81.47	94.10	71.96

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>
1999	\$ 9,412,700	\$ 7,071,487	\$ 799,751
1998	9,164,288	5,749,282	751,858
1997	9,118,858	5,153,519	706,833
1996	8,859,290	4,353,857	646,156
1995	7,550,357	4,267,009	652,677
1994	7,381,330	4,199,905	631,375
1993	7,171,949	3,792,255	554,749
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, 1997-1999 Cleveland Federal Reserve

Building Permits - County of Summit Executive's Building Department

COMPLIANCE SECTION



**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, 2000, and have issued our report thereon dated January 24, 2001. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as item 2000- 78664-001.

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
January 24, 2001

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, 2000. 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, 2000.

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
Certified Public Accountant
January 24, 2001

Summit County Educational Service Center

Summit County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2000

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Grantor's Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed Through Ohio Department of Education:				
Eisenhower Professional Development	MS-S1 97 C	84.281	\$ -	\$ 5,690
	MS-S1 98 C		24,462	31,352
	MS-S1 99 C		9,421	23,246
	MS-S1 00		25,233	-
			<u>59,116</u>	<u>60,288</u>
Technical Assistance	20-A4 99	84.048	4,841	4,841
Special Education - Preschool	PG-S1 98 P	84.173	13,587	18,808
	PG-S1 99 P		22,518	21,615
			<u>36,105</u>	<u>40,423</u>
Project L.I.F.E.	PF-S1 98	84.158	-	1,153
Goals 2000	G2-SP 97 C	84.276	-	13,021
	G2-S3 97 C		-	5,795
	G2-S3 98 P		64,960	117,881
	G2-S3 99		33,250	78,300
	G2-S3 00		100,000	76,439
	G2-S9 00		20,000	-
			<u>218,210</u>	<u>291,436</u>
Total Passed Through Ohio Department of Education			<u>318,272</u>	<u>398,141</u>
Passed Through Medina County ESC:				
Goals 2000	G2-S5 99	84.276	13,747	13,747
Direct:				
Technology Challenge Grant	1-303A50380-98	84.303A	119,069	119,069
	1-303A50380-99		953,647	953,647
	1-303A50380-99		118,380	137,873
	1-303A50380-00		257,417	257,441
Total Direct			<u>1,448,513</u>	<u>1,468,030</u>
Total U.S. Department of Education			<u>\$ 1,780,532</u>	<u>\$ 1,879,918</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, 2000

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.

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

**SUMMIT COUNTY EDUCATIONAL SERVICE CENTER
June 30, 2000**

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)?	Yes
<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):	Technology Challenge CFDA Number 84.303A
<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

FINDING NUMBER 2000-78664-001

Board Policy authorizes financial commitments, purchases, and other expenditures within limits provided in the approved appropriations.

As a result of the Treasurer not obtaining approval for the final appropriations from the Board of Governors, various expenditures plus outstanding encumbrances exceeded appropriations within the various funds at June 30, 2000. This occurred as a result of turnover in personnel within the Treasurer's Office and the final appropriation measure was not brought before the Board for approval. Within various line items at the legal level of budgetary control expenditures plus encumbrances exceeded appropriations. Appropriations were exceeded as follows: General Fund by \$396,571; Internal Service Rotary Fund \$1,184; Miscellaneous Local Grants Fund \$127,867; Excellence in Education Fund \$275,000; Public School Preschool Fund \$7,111; Telecommunity Fund \$219,777; Miscellaneous State Grants Fund \$956,614; Eisenhower Fund \$7,402; EHA Preschool Fund \$23,296; and Miscellaneous Federal Grants Fund \$1,310,938.

The Treasurer and/or Superintendent should present modifications to the budget that effect the appropriations to the Governing Board each month as necessary as required by the Board's policy.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 22, 2001**