Clermont County Educational Service Center

Clermont County

Single Audit

July 1 , 2000 Through June 30, 2001

Fiscal Year Audited Under GAGAS: 2001

Balestra & Company
CERTIFIED PUBLIC ACCOUNTANTS
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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of the Board
Clermont County Educational Service Center
2400 Clermont Center Dr., Ste. 202
Batavia, Ohio 45103

We have reviewed the Independent Auditor's Report of the Clermont County Educational Service Center, Clermont County, prepared by Balestra & Company, LLC, for the audit period July 1, 2000 through June 30, 2001. 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 Clermont County Educational Service Center is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

December 13, 2001

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CLERMONT COUNTY EDUCATIONAL SERVICE CENTER
CLERMONT COUNTY

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Independent Auditors' Report

Members of the Board
Clermont County Educational Service Center
2400 Clermont Center Dr. Ste. 202
Batavia, Ohio 45103

We have audited the accompanying general-purpose financial statements of the Clermont County Educational Service Center, Clermont County, as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Clermont 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Clermont County Educational Service Center, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2001 on our consideration of the Clermont 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.

The accompanying schedule of federal awards expenditures is presented for purpose 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 not a required part of the general-purpose financial statements. 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 stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

As described in Note 3 to the general-purpose financial statements, the Education Service Center implemented Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, and Governmental Accounting Standards Board Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues* (an amendment of GASB Statement No. 33).

Balestra & Company
Balestra & Company

October 26, 2001

Clermont County Educational Service Center
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Capital Projects	Enterprise
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	$3,723,150	$88,958	$132,712	$17,598
Receivables:				
Accounts	446,380	0	0	0
Intergovernmental	0	119,940	65,702	2,352
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	$4,169,530	$208,898	$198,414	$19,950
Liabilities, Fund Equity and Other Credits:				
Liabilities:				
Accounts Payable	$100,015	$18,930	$22,211	$0
Accrued Wages and Benefits	1,129,100	5,449	0	0
Compensated Absences Payable	11,893	574	0	0
Intergovernmental Payable	0	0	0	0
Deferred Revenue	798,279	92,549	65,702	0
Total Liabilities	2,039,287	117,502	87,913	0
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	19,950
Fund Balance:				
Reserved for Encumbrances	70,940	705	39,969	0
Unreserved & Undesignated	2,059,303	90,691	70,532	0
Total Fund Equity (Deficit) and Other Credits	2,130,243	91,396	110,501	19,950
Total Liabilities, Fund Equity & Other Credits	$4,169,530	$208,898	$198,414	$19,950

See accompanying notes to the general-purpose financial statements.

Account Groups		
General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
$0	$0	$3,962,418
0	0	446,380
0	0	187,994
809,512	0	809,512
0	306,113	306,113
$809,512	$306,113	$5,712,417
$0	$0	$141,156
0	0	1,134,549
0	264,938	277,405
0	41,175	41,175
0	0	956,530
0	306,113	2,550,815
809,512	0	809,512
0	0	19,950
0	0	111,614
0	0	2,220,526
809,512	0	3,161,602
$809,512	$306,113	$5,712,417

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Clermont County Educational Service Center
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Revenues:				
Intergovernmental	$2,724,295	$583,086	$0	$3,307,381
Interest	163,156	0	0	163,156
Tuition and Fees	7,903,746	0	0	7,903,746
Miscellaneous	359,468	0	158,280	517,748
Total Revenues	11,150,665	583,086	158,280	11,892,031
Expenditures:				
Current:				
Instruction:				
Regular	435,206	96,858	0	532,064
Special	4,196,000	2,169	261,751	4,459,920
Other	60,788	91,113	0	151,901
Support Services:				
Pupils	2,703,183	0	0	2,703,183
Instructional Staff	2,797,698	486,941	22,211	3,306,850
Board of Education	60,313	0	0	60,313
Administration	273,596	0	0	273,596
Fiscal	235,370	2,414	0	237,784
Operation and Maintenance of Plant	6,420	0	0	6,420
Central	66,511	1,853	0	68,364
Total Expenditures	10,835,085	681,348	283,962	11,800,395
Excess of Revenues Over (Under) Expenditures	315,580	(98,262)	(125,682)	91,636
Other Financing Sources (Uses):				
Operating Transfers Out	(10,000)	0	0	(10,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	305,580	(98,262)	(125,682)	81,636
Fund Balances (Deficits) at Beginning of Year (Restated-See Note 3)	1,824,663	189,658	236,183	2,250,504
Fund Balances (Deficits) at End of Year	$2,130,243	$91,396	$110,501	$2,332,140

See accompanying notes to the general-purpose financial statements.

Clermont County Educational Service Center
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	$2,724,295	$2,724,295	$0	$637,230	$637,230	$0
Interest	177,545	177,545	0	0	0	0
Tuition and Fees	8,118,247	8,118,247	0	0	0	0
Miscellaneous	561,073	561,081	8	0	0	0
Total Revenues	11,581,160	11,581,168	8	637,230	637,230	0
Expenditures:						
Current:						
Instruction:						
Regular	426,876	426,876	0	101,625	101,625	0
Special	4,205,389	4,205,389	0	2,169	2,169	0
Other	61,201	61,201	0	93,704	93,704	0
Support Services:						
Pupils	2,653,919	2,653,919	0	0	0	0
Instructional Staff	2,774,749	2,774,749	0	497,356	497,356	0
Board of Education	60,431	60,431	0	0		0
Administration	276,260	276,260	0	0	0	0
Fiscal	175,522	175,522	0	2,414	2,414	0
Operation and Maintenance of Plant	6,420	6,420	0	0	0	0
Central	71,570	71,570	0	0	0	0
Total Expenditures	10,712,337	10,712,337	0	697,268	697,268	0
Excess of Revenues Over (Under) Expenditures	868,823	868,831	8	(60,038)	(60,038)	0
Other Financing Sources (Uses):						
Operating Transfers Out	(10,000)	(10,000)	0	0	0	0
Total Other Financing Sources (Uses)	(10,000)	(10,000)	0	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	858,823	858,831	8	(60,038)	(60,038)	0
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	2,774,967	2,774,967	0	142,478	142,478	0
Fund Balances (Deficit) at End of Year	$3,633,790	$3,633,798	$8	$82,440	$82,440	$0

See accompanying notes to the general-purpose financial statements.

Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
$0	$0	$0	$3,361,525	$3,361,525	$0
0	0	0	177,545	177,545	0
0	0	0	8,118,247	8,118,247	0
158,280	158,280	0	719,353	719,361	8
158,280	158,280	0	12,376,670	12,376,678	8
0	0	0	528,501	528,501	0
0	0	0	4,207,558	4,207,558	0
0	0	0	154,905	154,905	0
0	0	0	2,653,919	2,653,919	0
323,675	323,675	0	3,595,780	3,595,780	0
0	0	0	60,431	60,431	0
0	0	0	276,260	276,260	0
0	0	0	177,936	177,936	0
0	0	0	6,420	6,420	0
0	0	0	71,570	71,570	0
323,675	323,675	0	11,733,280	11,733,280	0
(165,395)	(165,395)	0	643,390	643,398	8
0	0	0	(10,000)	(10,000)	0
0	0	0	(10,000)	(10,000)	0
(165,395)	(165,395)	0	633,390	633,398	8
236,183	236,183	0	3,153,628	3,153,628	0
$70,788	$70,788	$0	$3,787,018	$3,787,026	$8

Combined Statement of Revenues,
Expenses and Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	Enterprise
Operating Revenues:	
Charges For Services	$12,735
Total Operating Revenue	12,735
Operating Expenses:	
Purchased Services	37,957
Total Operating Expenses	37,957
Operating Loss	(25,222)
Non-Operating Revenues :	
Operating Grants - State & Local	1,163
Operating Grants - Federal	18,996
Total Non-Operating Revenues	20,159
Income (Loss) before Operating Transfers	(5,063)
Advances In	0
Operating Transfer In	10,000
Net Income	4,937
Advances Out	0
Retained Earnings at Beginning of Year	15,013
Retained Earnings at End of Year	$19,950

See accompanying notes to the general-purpose financial statements.

Clermont County Educational Service Center
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities	
Cash Received from Charges For Services	$12,735
Cash Payments for Contract Services	(38,106)
Net Cash Used for Operating Activities	(25,371)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Other Funds	10,000
Cash Received from Operating Grants	20,171
Net Cash Provided (Used) by Non-Capital Financing Activities	30,171
Net Increase in Cash and Cash Equivalents	4,800
Cash and Cash Equivalents at Beginning of Year	12,798
Cash and Cash Equivalents at End of Year	$17,598
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Loss	($25,222)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Changes in Assets and Liabilities	
Decrease in Accounts Payable	(149)
Net Cash Provided (Used) by Operating Activities	($25,371)

See accompanying notes to the general-purpose financial statements.

NOTE 1 - DESCRIPTION OF THE CENTER AND REPORTING ENTITY

The financial statements of the Clermont County Educational Service Center (Center) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Center's significant accounting policies are described below:

Description of the Entity:

The Center is a Governing Board of an Educational Service Center as defined by Am. Sub. H.B. 117, 121st General Assembly. The Center is an administrative entity providing supervision and certain other services to the local Centers located within Clermont County. It currently operates under an elected Board of Educational Service Center (5 members) and provides special education to handicapped students. The Center has its own fiscal officer and is considered a separate entity and issues its financial statements.

Reporting Entity:

For financial reporting purposes, the Center's financial statements include all funds, account groups, and component units for which the Center is financially accountable based upon criteria set forth in GASB Statement 14. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the Center) are financially accountable. The Center would consider an organization to be a component unit if:

1. The Center appointed a voting majority of the organization's governing body; and (a) was able to impose its will on that organization; or (b) there was a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Center; or

2. The organization was fiscally dependent upon the Center; or

3. The nature of the relationship between the Center and the organization was such that the exclusion from the financial reporting entity would render the financial statements misleading.

The Center included no component units in the accompanying financial statements.

The Center is associated with one jointly governed and two public entity risk pools. These organizations are discussed in Note 13 and Note 14 to the general purpose financial statements. These organizations are:

Jointly Governed:
Hamilton/Clermont Cooperative Association

Public Entity Risk Pools:
Ohio School boards Association Workers' compensation Group Rating Program
Clermont County Health Trust

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis Of Presentation - Fund Accounting

The 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 Center functions or activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

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 regulations, 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 available expendable resources.

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

Governmental Fund Types:

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

General Fund - The General Fund is the operating fund of the 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 Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources 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 proprietary funds).

Proprietary Fund Type:

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

Enterprise Fund - The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 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 Center except those accounted for in the proprietary fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. 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 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.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present 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.

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Fees for contractual services, provided by the Center, received, but not earned, as of June 30, 2001, have been recorded as deferred revenues.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period when they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

SF-5:

Annually, the Superintendent and Treasurer submit to the Governing Board a proposed County Board of Education, SF-5, budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. After approval by the Board, the budget SF-5 is submitted to the Ohio Department of Education by September 8.

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. 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.

Appropriations:

By October 1, the annual appropriation resolution must be legally enacted by the Governing Board of the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Center may pass a temporary appropriation measure to meet the ordinary expenses of the Center. The appropriation resolution, by fund, must be within the estimated resources and carryover balance and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Governing Board. The Center may pass supplemental fund appropriations. During the year, several supplemental appropriations were legally enacted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

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.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the Center is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

During fiscal year 2001, investments were limited to STAR Ohio and repurchase agreements. Except for nonparticipating investment contracts, investments are recorded at fair value that is based upon quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to $163,156.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Fixed Assets and Depreciation

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

F. Intergovernmental Revenues

In governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, 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.

G. Interfund Transactions

During the course of normal operations the Center had transactions between funds. The most significant included routine transfers of resources from one fund to another fund through which resources to be expended are recorded as operating transfers.

H. Compensated Absences

GASB Statement No. 16, “Accounting for Compensated Absences”, specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee’s right to receive compensation is attributable to services already rendered.

2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences (Continued)

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Center's termination policy. The Center records all liability for accumulated unused sick leave for classified employees after 20 years of current service with the Center and for certified employees and administrators after 20 years of service.

For governmental funds, the compensated absences that are expected to be liquidated using expendable available resources are reported as an expenditure and a fund liability of the respective governmental fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

I. Long-Term Obligations

Long-term debt is reported as a liability of the general long-term obligations account group when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term obligations financed by proprietary funds are reported as liabilities in the proprietary fund. The Center had long-term obligations at June 30, 2001 as disclosed in Note 6.

J. Fund Equity

The unreserved portions of fund equity reflected for the governmental funds are available for use within specific purpose of those funds. Reserved fund balance indicates that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances.

K. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Totals - (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, cash flows, or changes in financial position 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.

L. Proprietary Fund Accounting

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." The Center applies all GASB pronouncements and all Financial Accounting Standards Board Statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Estimates

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

Changes in Accounting Principles For fiscal year 2001, the Center has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions", and GASB Statement No. 36, "Recipient Reporting for Certain Shared Non-exchange Revenues" (an amendment of GASB Statement No. 33). The implementation of GASB Statements 33 and 36 had no effect on fund balance at June 30, 2000.

Restatement of Fund Balances In the prior year, program costs were misstated in the General Fund. This had the following effect on fund balance as it was previously reported as of June 30, 2001.

Fund Balance as Previously Reported	$2,341,429
Program Costs Improperly Recorded	(516,766)
Restated Fund Balance as of June 30, 2000	$1,824,663

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The Center maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments." State statutes classify monies held by the Center into three categories.

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

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

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

Protection of the Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bond and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 (STAROhio);

7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Center, and must be purchased with the expectation that it will be held to maturity.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in *GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."*

Deposits At fiscal year end, the carrying amount of the Center's deposits was ($205,610) and the bank balance was $130,378. Of the bank balance:

1. $100,000 was covered by federal depository insurance; and

2. $30,378 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center held to a successful claim by the FDIC.

Investments The Center's investments are required to be categorized to give an indication of the level of risk assumed by the Center at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Center or its agent in the Center's name. Category 2 includes uninsured and unregistered investments which are held by the counterpart's trust department or agent in the 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 Center's name. The Center's investments in STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investment	Category Three	Carrying Value	Market Value
Repurchase Agreement	$2,911,822	$2,911,822	$2,911,822
STAR Ohio	0	1,256,206	1,256,206
Totals	$2,911,822	$4,168,028	$4,168,028

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	$3,962,418	$0
Repurchase Agreement	(2,911,822)	2,911,822
STAR Ohio	(1,256,206)	1,256,206
GASB Statement No. 3	$(205,610)	$4,168,028

NOTE 5 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Furniture, Fixtures and Equipment	$630,370	$184,560	$5,418	$809,512

NOTE 6 - LONG-TERM OBLIGATIONS

The changes in the Center's long-term obligations during fiscal year 2001 were as follows:

	Balance at 6/30/00	Increase	Decrease	Balance at 6/30/01
Compensated Absences	$267,717	$0	$2,779	$264,938
Intergovernmental Payables	74,126	41,175	74,126	41,175
Total General Long-Term Obligations	$341,843	$41,175	$76,905	$306,113

NOTE 7 - BUDGETARY BASIS OF ACCOUNTING

While the Center is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of GAAP, the budgetary basis as provided by law 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 and Actual (Budget Basis) - All Governmental Fund Types 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:

NOTE 7 - BUDGETARY BASIS OF ACCOUNTING (Continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

5. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

Excess of Revenues and Other Financing Sources
Over Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Capital Projects
GAAP Basis	$305,580	($98,262)	($125,682)
Revenue Accruals	430,503	54,144	0
Expenditure Accruals	212,100	(9,403)	22,210
Encumbrances	(89,352)	(6,517)	(61,923)
Budget Basis	$858,831	($60,038)	($165,395)

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The 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 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 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.55 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were $263,450, $234,929, and $200,073, respectively; 55.5 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. $61,763 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The Center was required to contribute 14 percent; 8 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were $766,683, $705,800, and $595,850, respectively; 78.8 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. $118,878 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

NOTE 9 - POSTEMPLOYMENT BENEFITS

The Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the Center, this amount equaled $246,434 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was $149 million. For the year ended June 30, 2000, net health care costs paid by STRS were $283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit.

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

For fiscal year 2001, the minimum pay was established at $12,400. For the Center, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled $175,461.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were $140,696,340 and the target level was $211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of $252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 10 - OPERATING LEASE

The Center rents office space from Clermont County for $440 a month. There is no expiration date for this agreement. Minimum rent payments for the next five years are:

Year Ending June 30	Amount
2002	$5,280
2003	5,280
2004	5,280
2005	5,280
2006	5,280
Total	$26,400

Rent expense was $5,280 for fiscal year 2001.

NOTE 11- RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During fiscal year 2001, the Center contracted with Motorist Mutual Insurance for general property insurance. The coverage has a $1,000 deductible with a $425,000 limit of insurance.

Professional liability is protected by Nationwide Insurance Company with $2,000,000 each occurrence, $5,000,000 aggregate limit.

Vehicles are covered by Erie Insurance Company with a $500 deductible for comprehensive and a $500 deductible for collision.

Public officials bond insurance is provided by The Wausau. The Treasurer and Assistant Treasurer are covered by bonds in the amount of $20,000.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

For fiscal year 2001, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Centers is calculated as one experience and a common premium rate is applied to all Centers in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

NOTE 11- RISK MANAGEMENT (Continued)

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Centers that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

For fiscal year 2001, the Center participated in the Clermont County Health Trust (the Trust), a public entity risk pool (Note 14) in order to provide life, sick, accident, and other benefits to employees, their dependents, and designated beneficiaries and to set aside funds for such purposes. Any of such benefits, as the Trustee may determine, may be provided in whole or in part through on or more group insurance policies.

NOTE 12 - COMPLIANCE AND ACCOUNTABILITY

State statute requires all funds to have expenditures and encumbrances within approved appropriation limits. All funds of the Center had expenditures and encumbrances within the approved appropriations.

NOTE 13 - JOINTLY GOVERNED ORGANIZATION

Hamilton Clermont Cooperative Association - The Center is a participant in the Hamilton Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 24 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Centers. The governing board of H/CCA consists of the superintendent and/or treasures of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal distress that may cause an additional financial burden on members in the future. The Center paid H/CCA $12,472 for services provided during the year. Financial information can be obtained from the fiscal agent, the H/CCA of Boards of Education, Al Porter, Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

NOTE 14 - INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan - The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating Centers pay an enrollment fee to the GRP to cover the costs of administering the program.

Clermont County Health Trust - The Clermont County Health Trust (Trust), an insurance purchasing pool, formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consist of one representative form each of the participating members and are elected by the vote of a majority of the member school districts.

The Center pays premiums to a third party administrator, which in turn buys the insurance policies from various insurance companies. Upon termination, the Center shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The Center may terminate participation in the Trust for the benefit of its employees upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained form the Clermont County Health Trust at P.O. Box 526, Middletown, Ohio 45042.

NOTE 15 - SCHOOL FUNDING COURT DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 26, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

NOTE 16 - CONTINGENCIES

A. Grants

The 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. Management is unable to estimate possible claims from such audits until the audits have been completed. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2001.

B. Litigation

The Center is not party to legal proceedings.

Clermont County Educational Service Center
Clermont County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2001

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Agriculture				
Passed through Ohio Department of Education				
National School Lunch Program	LL-P1/P4	10.555	$18,917	$18,917
United States Department of Education				
Passed through Ohio Department of Education				
Adult and Community Education	AB-S1	84.002	110,112	89,170
Special Education Preschool Grants	PG-S1/SC	84.173	96,596	84,940
Goals 2000 - State & Local Education Systemic Improvement Grants	G2-S3	84.276	106,706	134,302
Eisenhower Professional Development - Math Science	MS-S1	84.281	10,911	21,948
Total United States Department of Education			324,325	330,360
United States Department of Health & Human Services				
Passed through the County Board of MRDD				
Medical Assistance Program	N/A	93.778	153,212	153,212
Total Federal Financial Assistance			$496,454	$502,489

N/A - not available
See Accompanying Notes to Schedule of Federal Awards Expenditures

CLERMONT COUNTY EDUCATIONAL SERVICE CENTER
CLERMONT COUNTY
JUNE 30, 2001

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

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

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board
Clermont County Educational Service Center
2400 Clermont Center Dr. Ste. 202
Batavia, Ohio 45103

We have audited the general-purpose financial statements of the Clermont County Educational Service Center, the ESC, Clermont County, as of and for the year ended June 30, 2001, in which we indicated the ESC had changed its method of accounting for non-exchange transactions, and have issued our report thereon dated October 26, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clermont County Educational Service Center's general-purpose 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 general-purpose financial statement amounts. However, providing and opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clermont 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 general-purpose 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 the audit committee, management, members of the Board, 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.

Balestra & Company
Balestra & Company

October 26, 2001

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Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Members of the Board
Clermont County Educational Service Center
2400 Clermont Center Dr. Ste. 202
Batavia, Ohio 45103

Compliance

We have audited the compliance of the Clermont 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 its major federal program for the year ended June 30, 2001. Clermont County Educational Service Center's major federal program is 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 its major federal program is the responsibility of Clermont County Educational Service Center's management. Our responsibility is to express an opinion on Clermont County Educational Service Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Clermont 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 Clermont County Educational Service Center's compliance with those requirements.

In our opinion, Clermont County Educational Service Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Clermont 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 Clermont 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 federal compliance that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, members of the Board, 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.

Balestra & Company

Balestra & Company

October 26, 2001

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

CLERMONT COUNTY EDUCATIONAL SERVICE CENTER
CLERMONT COUNTY
JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Medical Assistance Program, CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

CLERMONT COUNTY EDUCATIONAL SERVICE CENTER
CLERMONT COUNTY
JUNE 30, 2001

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

Finding Number	None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	

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OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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CLERMONT COUNTY EDUCATIONAL SERVICE CENTER

CLERMONT 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
DECEMBER 27, 2001