

Clermont County Educational Service Center

Clermont County

Regular Audit

Fiscal Year Audited Under GAGAS: 2005

**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

---

Telephone (740) 289-4131

Fax (740) 289-3639

[www.bhsccpas.com](http://www.bhsccpas.com)





**Auditor of State  
Betty Montgomery**

Governing Board  
Clermont County Educational Service Center  
2400 Clermont Center Drive, Suite 202  
Batavia, Ohio 45103

We have reviewed the *Independent Auditor's Report* of the Clermont County Educational Service Center, Clermont County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2004 through June 30, 2005. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

March 27, 2006

**This Page is Intentionally Left Blank.**

**Clermont County Educational Service Center**  
*Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2005

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	9
Statement of Activities .....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	11
Reconciliation of Total Governmental Funds Balances To Net Assets of Governmental Activities .....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	14
Notes to the Basic Financial Statements .....	15
Federal Awards Expenditures Schedule.....	31
Notes to the Federal Awards Expenditures Schedule.....	32
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Governmental Auditing Standards</i> .....	33
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	35
Schedule of Findings – OMB Circular A-133 §.505.....	37

**This Page is Intentionally Left Blank.**

**BALESTRA, HARR & SCHERER, CPAS, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
Clermont County Educational Service Center  
2400 Clermont Center Drive, Suite 202  
Batavia, Ohio 45103

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clermont County Educational Service Center (the Center), Clermont County, as of and for the year ended June 30, 2005, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Center as of June 30, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

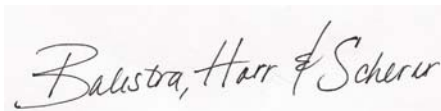
In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2005, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clermont County Educational Service Center  
Independent Auditor's Report  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the basic financial statements, The Center implemented Governmental Accounting Standards Board (GASB) Statement Number 40, *Deposit and Investment Risk Disclosures – An amendment of GASB Statement No. 3*, and GASB Technical Bulletin Number 2004-2, *Pension and Other Postemployment Benefit Expenditures/Expenses and Liability by Cost-Sharing Employers*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 21, 2005



Clermont County Educational Service Center  
Clermont County, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

---

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Clermont County Educational Service Center's (the Center) discussion and analysis of the annual financial report provides a review of the Center's financial performance for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the Center's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

- The Center's assets exceeded its liabilities at June 30, 2005 by \$3,110,771.
- The Center's net assets of governmental activities increased \$752,994.
- General revenues accounted for \$1,581,561 in revenue or 11 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$13,372,653 or 89 percent of total revenues of \$14,954,214.
- The Center had \$14,201,220 in expenses related to governmental activities; \$13,372,653 of these expenses was offset by program specific charges for services and sales and operating grants and contributions.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Clermont County Educational Service Center's financial situation as a whole and also give a detailed view of the Center's financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the Center as a whole and present a longer-term view of the Center's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the Center's most significant funds with all other non-major funds presented in total in one column.

Clermont County Educational Service Center  
Clermont County, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

---

**REPORTING THE CENTER AS A WHOLE**

The analysis of the Center as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine whether the Center is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Center's net assets and changes to those assets. This change informs the reader whether the Center's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the Center's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

In the Statement of Net Assets and the Statement of Activities, the Center has only one kind of activity.

- **Governmental Activities.** All of the Center's programs and services are reported here including instruction and support services.

**REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The analysis of the Center's funds begins on page 7. Fund financial statements provide detailed information about the Center's major fund – not the Center as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Clermont County Educational Service Center's major fund is the General Fund.

**Governmental Funds.** All of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Center's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Clermont County Educational Service Center  
Clermont County, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

**THE CENTER AS A WHOLE**

As stated previously, the Statement of Net Assets provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net assets for 2005 compared to 2004.

Table 1  
Net Assets

	2005	2004
Assets:		
Current Assets	\$5,315,231	\$4,924,121
Capital Assets, Net	119,364	181,135
Total Assets	5,434,595	5,105,256
Liabilities:		
Current and Other Liabilities	1,960,961	2,334,574
Long-Term Liabilities	362,863	412,905
Total Liabilities	2,323,824	2,747,479
Net Assets:		
Invested in Capital Assets, Net of Related Debt	119,364	181,135
Restricted	38,946	177,905
Unrestricted	2,952,461	1,998,737
Total Net Assets	\$3,110,771	\$2,357,777

Total net assets of the Center as a whole increased \$752,994. Cash increased due to an increase in revenue. Accounts Payable decreased due to timeliness of payments.

Clermont County Educational Service Center  
Clermont County, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005. Table 2 provides a summary of the Center's change in net assets for 2005 compared to 2004.

Table 2  
Change in Net Assets

	2005	2004
Revenues		
Program Revenues:		
Charges for Services and Sales	\$12,291,640	\$11,601,846
Operating Grants & Contributions	1,081,013	1,341,071
Total Program Revenues	<u>13,372,653</u>	<u>12,942,917</u>
General Revenues:		
Grants and Entitlements	1,280,309	1,239,396
Gifts and Donations	71,453	70,463
Investment Earnings	74,358	36,056
Miscellaneous	155,441	229,959
Total General Revenues	<u>1,581,561</u>	<u>1,575,874</u>
Total Revenues	14,954,214	14,518,791
Program Expenses		
Instruction		
Regular	\$399,613	\$368,995
Special	4,829,471	5,459,255
Vocational	178,869	149,282
Other	407	0
Support Services		
Pupil	3,259,692	3,328,618
Instructional Staff	4,546,949	4,622,440
Board of Education	168,791	149,883
Administration	488,842	425,565
Fiscal	243,456	203,865
Central	23,236	24,257
Operation of Non-Instructional Services	61,894	51,167
Total Expenses	<u>14,201,220</u>	<u>14,783,327</u>
Net Assets at Beginning of Year	2,357,777	2,622,313
Increase (Decrease) in Net Assets	752,994	(264,536)
Net Assets at End of Year	<u>\$3,110,771</u>	<u>\$2,357,777</u>

Clermont County Educational Service Center  
 Clermont County, Ohio  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2005

**Governmental Activities**

Charges for services and sales comprised 82 percent of revenue for governmental activities, while operating grants and contributions comprised 7 percent of revenue for governmental activities of the Clermont County Educational Service Center for fiscal year 2005.

As indicated by governmental program expenses, instruction and support services for the benefit of the pupils are emphasized. Support services for pupils comprised 23 percent of governmental program expenses with support services for Instructional Staff comprising 32 percent of governmental expenses and special instruction comprising 32 percent of government expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and other general revenues.

Table 3  
 Total and Net Cost of Program Services  
 Governmental Activities

	<b>2005</b>		<b>2004</b>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$5,408,360	(\$102,673)	\$5,977,532	(\$300,412)
Support Services	8,730,966	907,697	8,754,628	(1,523,362)
Operation of Non-Instructional Services	61,894	23,543	51,167	9,734
Total Expenses	\$14,201,220	\$828,567	\$14,783,327	(\$1,814,040)

**THE CENTER'S FUNDS**

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,976,306 and expenditures of \$14,424,096. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased by \$649,673. This increase was primarily due to a decrease in Special Education expenditures.

Clermont County Educational Service Center  
Clermont County, Ohio  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

---

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2005, the Center had \$119,364 invested in its capital assets. Table 4 shows the fiscal year 2005 balances compared to 2004.

Table 4  
Capital Assets  
(Net of Accumulated Depreciation)

Governmental Activities

	2005	2004
Furniture and Equipment	<u>\$119,364</u>	<u>\$181,135</u>
Totals	<u>\$119,364</u>	<u>\$181,135</u>

Changes in capital assets from the prior year resulted from the addition of a computer, a copier and depreciation expense. See Note 6 to the basic financial statements for more detailed information related to capital assets.

**Debt**

At June 30, 2005, the Center did not have any outstanding debt obligations.

**CONTACTING THE CENTER'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's financial condition and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Al Fleckinger, Treasurer, Clermont County Educational Service Center, 2400 Clermont Center Drive, Suite 202, Batavia, Ohio 45103.

**Clermont County Educational Service Center**  
**Statement of Net Assets**  
**June 30, 2005**

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 4,325,199
Accounts Receivable	858,832
Intergovernmental Receivable	131,200
Noncurrent Assets:	
Depreciable Capital Assets, net	119,364
<i>Total Assets</i>	5,434,595
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	46,532
Accrued Wages and Benefits	1,295,449
Intergovernmental Payable	595,393
Matured Compensated Absences Payable	23,587
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	24,222
Due in More Than One Year	338,641
<i>Total Liabilities</i>	2,323,824
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	119,364
Restricted for Capital Outlay	38,946
Unrestricted	2,952,461
<i>Total Net Assets</i>	\$ 3,110,771

The notes to the basic financial statements are an integral part of this statement.

**Clermont County Educational Service Center**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**

	<b>Program Revenues</b>			<b>Net(Expense) Revenue and Changes in Net Assets</b>
<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>	
Governmental Activities:				
Instruction:				
Regular	\$ 399,613	\$ 301,709	\$ 29,685	\$ (68,219)
Special	4,829,471	4,380,865	674,775	226,169
Adult/Continuing	178,869	42,246	81,753	(54,870)
Other	407	-	-	(407)
Support Services:				
Pupils	3,259,692	2,947,804	37,349	(274,539)
Instructional Staff	4,546,949	3,808,875	214,264	(523,810)
Board of Education	168,791	122,023	-	(46,768)
Administration	488,842	449,641	552	(38,649)
Fiscal	243,456	216,319	5,094	(22,043)
Central	23,236	21,220	128	(1,888)
Operation of Non-Instructional Services	61,894	938	37,413	(23,543)
<i>Total Governmental Activities</i>	14,201,220	12,291,640	1,081,013	(828,567)
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				1,280,309
Gifts and Donations				71,453
Investment Earnings				74,358
Miscellaneous				155,441
<i>Total General Revenues</i>				1,581,561
<i>Change in Net Assets</i>				752,994
<i>Net Assets Beginning of Year (as restated - see note 3)</i>				2,357,777
<i>Net Assets End of Year</i>				\$ 3,110,771

The notes to the basic financial statements are an integral part of this statement.



**Clermont County Educational Service Center**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 4,262,671	\$ 62,528	\$ 4,325,199
Accounts Receivable	858,832	-	858,832
Interfund Receivable	37,447	-	37,447
Intergovernmental Receivable	56,369	74,831	131,200
	<u>5,215,319</u>	<u>137,359</u>	<u>5,352,678</u>
<i>Total Assets</i>	<u>\$ 5,215,319</u>	<u>\$ 137,359</u>	<u>\$ 5,352,678</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 42,690	\$ 3,842	\$ 46,532
Accrued Wages and Benefits	1,278,281	17,168	1,295,449
Interfund Payable	-	37,447	37,447
Intergovernmental Payable	587,507	7,886	595,393
Matured Compensated Absences Payable	23,587	-	23,587
Deferred Revenue	-	67,326	67,326
	<u>1,932,065</u>	<u>133,669</u>	<u>2,065,734</u>
<i>Total Liabilities</i>	<u>1,932,065</u>	<u>133,669</u>	<u>2,065,734</u>
<b>FUND BALANCES:</b>			
<b>Reserved:</b>			
Reserved for Encumbrances	72,501	2,824	75,325
<b>Unreserved, Undesignated, Reported in:</b>			
General Fund	3,210,753	-	3,210,753
Special Revenue Funds	-	(38,080)	(38,080)
Capital Projects Funds	-	38,946	38,946
	<u>3,283,254</u>	<u>3,690</u>	<u>3,286,944</u>
<i>Total Fund Balances</i>	<u>3,283,254</u>	<u>3,690</u>	<u>3,286,944</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,215,319</u>	<u>\$ 137,359</u>	<u>\$ 5,352,678</u>

The notes to the basic financial statements are an integral part of this statement.

**Clermont County Educational Service Center**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2005**

---

<b>Total Governmental Fund Balances</b>	\$ 3,286,944
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	119,364
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. Intergovernmental	67,326
Long-Term Liabilities, including bonds, capital lease obligations, long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.  Compensated Absences	(362,863)
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 3,110,771</u></u>

The notes to the basic financial statements are an integral part of this statement.

**Clermont County Educational Service Center**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2005**

	<u>General Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>			
Intergovernmental	\$ 1,907,639	\$ 475,775	\$ 2,383,414
Interest	74,358	-	74,358
Tuition and Fees	11,773,140	-	11,773,140
Gifts and Donations	71,453	-	71,453
Customer Sales and Services	507,129	11,371	518,500
Miscellaneous	155,441	-	155,441
<i>Total Revenues</i>	<u>14,489,160</u>	<u>487,146</u>	<u>14,976,306</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	331,647	46,942	378,589
Special	4,965,342	-	4,965,342
Adult/Continuing	43,621	135,248	178,869
<b>Support Services:</b>			
Pupils	3,330,971	-	3,330,971
Instructional Staff	4,267,416	352,097	4,619,513
Board of Education	132,418	-	132,418
Administration	490,358	-	490,358
Fiscal	234,303	8,428	242,731
Central	23,411	-	23,411
Operation of Non-Instructional Services	-	61,894	61,894
<i>Total Expenditures</i>	<u>13,819,487</u>	<u>604,609</u>	<u>14,424,096</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	669,673	(117,463)	552,210
<b>Other Financing Sources and Uses</b>			
Transfers In	-	20,000	20,000
Transfers Out	(20,000)	-	(20,000)
<i>Total Other Financing Sources and Uses</i>	(20,000)	20,000	-
<i>Net Change in Fund Balances</i>	649,673	(97,463)	552,210
<i>Fund Balance at Beginning of Year</i>	<u>2,633,581</u>	<u>101,153</u>	<u>2,734,734</u>
<i>Fund Balance at End of Year</i>	<u>\$ 3,283,254</u>	<u>\$ 3,690</u>	<u>\$ 3,286,944</u>

The notes to the basic financial statements are an integral part of this statement.

**Clermont County Educational Service Center**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**

**Net Change in Fund Balances - Total Governmental Funds** \$ 552,210

**Amounts reported for governmental activities in the statement of activities are different because:**

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Asset Additions	42,499	
Current Year Depreciation	(82,161)	
Total	(39,662)	(39,662)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets.

Loss on Disposal of Capital Assets		(22,109)
------------------------------------	--	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Intergovernmental		(22,092)
-------------------	--	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	50,042	
Intergovernmental Payable	234,605	
	284,647	

Total		284,647
-------	--	---------

**Net Change in Net Assets of Governmental Activities** **\$ 752,994**

The notes to the basic financial statements are an integral part of this statement.

---

**Clermont County Educational Service Center**  
*Notes to the Basic Financial Statements*  
**For the Fiscal Year Ended June 30, 2005**

---

**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 of America (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, 121<sup>st</sup> 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:*

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

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization's governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally entitled to or can otherwise access the organization's resources; the Educational 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 Educational Service Center is obligated for the debt of the organization. Component units may also include organizations for which the Educational Service Center approves the budget, the issuance of debt or levying of taxes. As of June 30, 2005, the Educational Service Center had no component units.

The Center is associated with one jointly governed and two public entity risk pools. These organizations are discussed in Note 12 and Note 13 to the basic financial statements. These organizations are:

Jointly Governed:

Hamilton/Clermont Cooperative Association

Public Entity Risk Pools:

Ohio School Boards Association Workers' Compensation Group Rating Plan  
Clermont County Health Trust

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Fund Accounting**

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

---

**Clermont County Educational Service Center**  
*Notes to the Basic Financial Statements*  
**For the Fiscal Year Ended June 30, 2005**

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. Fund Accounting (Continued)

The Center uses funds 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.

The Educational Service Center's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Center functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

*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 are accounted for through governmental funds. The following is the Center's major governmental fund:

*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.

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

B. Basis of Presentation

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

*Government-wide Financial Statements:*

The statement of net assets and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government. The statement of net assets presents the financial condition of governmental activities of the Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program. Revenues which are not classified as program revenues are presented as general revenues of the Center. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Educational Service Center.

*Fund Financial Statements:*

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

---

**Clermont County Educational Service Center**  
*Notes to the Basic Financial Statements*  
**For the Fiscal Year Ended June 30, 2005**

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus and Basis of Accounting

*Government-wide Financial Statements* - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Educational Service Center are included on the statement of net assets. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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

*Basis of Accounting* - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual basis of accounting for governmental funds. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

*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 expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The modified accrual basis is utilized for reporting purposes by the governmental fund types. 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, 2005, 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.

---

**Clermont County Educational Service Center**  
*Notes to the Basic Financial Statements*  
**For the Fiscal Year Ended June 30, 2005**

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. Budgetary Process

Upon review by the Educational Service Center's Governing Board, the annual appropriation is adopted. The annual appropriation resolution is enacted by the Educational Service Center at the fund and function level of expenditures, which is their level of budgetary control.

***Encumbrances:***

Encumbrance accounting is utilized by the Educational Service Center for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. On the fund financial statements encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds. A reserve for encumbrances is not reported on the government-wide financial statements.

***Appropriations:***

The annual appropriation resolution is adopted by the Educational Service Center at the fund and function level of expenditures, which is their level of budgetary control. The appropriation resolution, by fund, must be within the estimated resources, 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, must be approved by the Educational Service Center.

The Educational Service Center may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. Formal budgetary integration is employed as a management control device during the year for all 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 Center is pooled. Monies for all funds 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 balance sheet.



---

*Clermont County Educational Service Center*  
*Notes to the Basic Financial Statements*  
**For the Fiscal Year Ended June 30, 2005**

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. Cash and Cash Equivalents (Continued)

During fiscal year 2005, 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, 2005.

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 2005 amounted to \$74,358.

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.

F. Capital Assets and Depreciation

All capital assets of the Educational Service Center are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital 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 Educational Service Center maintains a capitalization threshold of \$2,000. The Educational Service Center does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture and Equipment	5-10 years

G. 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 and the funding is available. 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.

H. 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.

---

**Clermont County Educational Service Center**  
***Notes to the Basic Financial Statements***  
**For the Fiscal Year Ended June 30, 2005**

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. 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.

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.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employee will be paid.

**J. Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities, once incurred, that are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. The Center had long-term obligations at June 30, 2005 as disclosed in Note 7.

**K. Net Assets**

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

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

**L. Fund Balance Reserves**

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

**Clermont County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

**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 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE**

For fiscal year 2005, the Educational Service Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, “Deposit and Investment Risk Disclosures” and GASB Technical Bulletin No. 2004-02, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liability by Cost-Sharing Employers.” GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments. The implementation of GASB Statement No. 40 had no effect on the Educational Service Center’s financial statements. GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin had no effect on the Educational Service Center’s financial statements for fiscal year 2005.

The restated net asset amount for government programs reflects the change in net assets for governmental funds at June 30, 2005, caused by a receivable recorded in error in the previous fiscal year.

	Total
Net Assets, June 30, 2004	\$ 2,384,147
Correction of an error on Receivable	(26,370)
Restated Net Assets, June 30, 2004	\$ 2,357,777

**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.

---

**Clermont County Educational Service Center**  
*Notes to the Basic Financial Statements*  
**For the Fiscal Year Ended June 30, 2005**

---

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home 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. Bonds or other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and
8. Securities lending agreements in which the Center lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Center's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent

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.

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."*

**Clermont County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

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

**Deposits** The School District's deposits are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered deposits which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

At fiscal year end, the carrying amount of the Center's deposits was \$2,890,354 and the bank balance was \$3,047,848. Of the bank balance \$105,487 was covered by federal depository insurance (Category 1). \$2,942,361 was uninsured and uncollateralized (Category 3). Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center 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.

	<u>Uncategorized</u>	<u>Category 1</u>	<u>Carrying/Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
STAR Ohio	\$ 448,241	\$ -	\$ 448,241	0
US Treasury Note	-	986,604	986,604	0.15
Total Investment	<u>\$ 448,241</u>	<u>\$ 986,604</u>	<u>\$ 1,434,845</u>	
Portfolio Weighted Ave. Maturity (U.S. Governmental Securities Only)				<u>0.15</u>

**Interest rate risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the Center manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

**Clermont County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center limits their investments to Repurchase Agreements, US Government Securities and STAR Ohio. Investments in STAR Ohio were rated AAAM by Standard & Poor’s. U.S. Treasury Notes were rated AAA by Standard & Poor’s and Aaa by Moody’s.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Center’s investment policy allows investments in Repurchase Agreements, Certificates of Deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The Center has invested 69% of its investments in US Government Securities. The remaining investments have no weighted average.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Center’s securities are either insured and registered in the name of the Center or at least registered in the name of the Center.

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Cash and cash equivalents are defined to include investments included within the Center’s cash management pool and investments with a maturity date of three months or less.

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
<i>GASB Statement No. 9</i>	4,325,199	-
STAR Ohio	(448,241)	448,241
US Treasury Note	(986,604)	986,604
<i>GASB Statement No. 3</i>	2,890,354	1,434,845

**Clermont County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	Beginning Balance <u>6/30/2004</u>	Additions	Deletions	Ending Balance <u>6/30/2005</u>
<i>Governmental Activities:</i>				
Capital Assets Being Depreciated				
Furniture and Equipment	588,489	42,499	(24,107)	606,881
Total Capital Assets, Being Depreciated				
Less Accumulated Depreciation:				
Furniture and Equipment	(407,354)	(82,161)	1,998	(487,517)
Total Accumulated Depreciation				
Total Capital Assets Being Depreciated, Net	<u>181,135</u>	<u>(39,662)</u>	<u>(22,109)</u>	<u>119,364</u>
Governmental Activities Capital Assets, Net	<u><u>181,135</u></u>	<u><u>(39,662)</u></u>	<u><u>(22,109)</u></u>	<u><u>119,364</u></u>

\* Depreciation Expense was charged to governmental functions as follows:

Regular Instruction	23,901
Special Instruction	5,382
Other Instruction	407
Support Services:	
Instructional Staff	10,128
Board of Education	41,923
Fiscal	<u>420</u>
Total Depreciation Expense	<u><u>\$ 82,161</u></u>

**NOTE 6 - LONG-TERM LIABILITIES**

The changes in the Center's long-term liabilities during fiscal year 2005 were as follows:

	Balance at <u>6/30/2004</u>	Increase	Decrease	Balance at <u>6/30/2005</u>	Amount Due <u>In One Year</u>
Compensated Absences	<u>412,905</u>	<u>362,863</u>	<u>412,905</u>	<u>362,863</u>	<u>24,222</u>
Total Long-Term Liabilities	<u><u>412,905</u></u>	<u><u>362,863</u></u>	<u><u>412,905</u></u>	<u><u>362,863</u></u>	<u><u>24,222</u></u>

---

**Clermont County Educational Service Center**  
***Notes to the Basic Financial Statements***  
**For the Fiscal Year Ended June 30, 2005**

---

**NOTE 7 - 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 10 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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$257,748, \$252,107, and \$345,659, respectively; 48 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$134,825 represents the unpaid contribution for fiscal year 2005.

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, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 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, 2005, 2004, and 2003 were \$813,386, \$917,523, and \$879,555, respectively; 85 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. \$123,084 representing the unpaid contribution for fiscal year 2005 is recorded as a liability within the respective funds.

**NOTE 8 - 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.



---

*Clermont County Educational Service Center*  
*Notes to the Basic Financial Statements*  
**For the Fiscal Year Ended June 30, 2005**

---

**NOTE 8 - POSTEMPLOYMENT BENEFITS** (Continued)

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, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.086 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$425,709,000 and STRS had 447,877 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

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, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400.

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, before premium reduction. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**NOTE 9 – OPERATING LEASE**

The Clermont County Commissioners are responsible for providing space for the office of the Superintendent at the Clermont County Education Service Center. The Center rented space that was determined to be beyond the typical office of the Superintendent from the Clermont County Commissioners for the 2005 fiscal year. The total rent paid for fiscal year 2005 was \$55,635.

Pursuant to ORC Section 3319.19 (D), the Board of Education of County Commissioners is responsible for 40% of the final total estimated cost to provide and equip the office of the Superintendent of the Educational Service Center and to provide heat, light, water and janitorial services for the period beginning 07/01/2004 and ending 06/30/2005; and decline by 20% each year until the Service Center bears 100% of the cost beginning in fiscal year 2007.

The Educational Service Center has agreed to rent an additional 1,367 square feet at a rate to be negotiated each year.

**NOTE 10- 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 2005, the Center contracted with Citizens Insurance for general property insurance. The coverage has a \$1,000 deductible with a \$725,000 limit of insurance.

Professional liability is protected by The Ohio School Plan with \$1,000,000 each occurrence, \$3,000,000 aggregate limit. The Center also has an excess liability insurance policy with \$2,000,000 each occurrence, \$2,000,000 aggregate.

---

**Clermont County Educational Service Center**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

---

**NOTE 10- RISK MANAGEMENT (Continued)**

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 2005, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). 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".

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 2005, the Center participated in the Clermont County Health Trust (the Trust), a public entity risk pool (Note 13) 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 11 - 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 treasurers 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 \$20,840 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 12 - 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 from each of the participating members and are elected by the vote of a majority of the member school districts.

---

*Clermont County Educational Service Center*  
*Notes to the Basic Financial Statements*  
**For the Fiscal Year Ended June 30, 2005**

---

**NOTE 12 - INSURANCE PURCHASING POOLS (Continued)**

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 from the Clermont County Health Trust at P.O. Box 526, Middletown, Ohio 45042.

**NOTE 13 - SCHOOL FUNDING COURT DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General Assembly to enact a school funding scheme that is thorough and efficient".

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

**NOTE 14 - 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 are 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, 2005.

B. Litigation

The Center is not party to legal proceedings.

**NOTE 15 - RECEIVABLES**

Receivables at June 30, 2005, consisted of accounts (rent, billings for user charged services, and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

*Major Funds*

General	<u>\$56,369</u>
---------	-----------------

*Non-major Funds*

Ohio Systematic Initiative	22,926
Alternative School Grant	354
EPA	4,011
ABLE	44,400
Title VI-B	<u>3,140</u>

Total Non-Major Funds	<u>74,831</u>
-----------------------	---------------

Total All Funds	<u>\$131,200</u>
-----------------	------------------

**Clermont County Educational Service Center**  
*Notes to the Basic Financial Statements*  
**For the Fiscal Year Ended June 30, 2005**

**NOTE 16 - INTERFUND ACTIVITY**

As of June 30, 2005, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payables</u>
General Fund	\$ 37,447	\$ 0
Total Major Funds	37,447	0
<i>Non-Major Funds:</i>		
Ohio Systematic Initiative	0	4,838
BCII Scanning Equipment	0	2,615
Adult Basic Education	<u>0</u>	<u>29,994</u>
Total All Funds	<u>\$ 37,447</u>	<u>\$ 37,447</u>

Transfers made during the year ended June 30, 2005, were as follows:

<u>Fund</u>	<u>Transfer From</u>	<u>Transfer To</u>
<i>Major Funds</i>		
General	\$20,000	\$0
Total Major Funds	\$20,000	\$0
<i>Non-Major Funds</i>		
Food Service	0	20,000
Total Non-Major Funds	<u>0</u>	<u>20,000</u>
Total	<u>\$20,000</u>	<u>\$20,000</u>

Transfers were made from the General Fund to move unrestricted balances to support programs and projects accounted for in other funds.

Clermont County Educational Service Center  
Clermont County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>United States Department of Agriculture</b>				
<i>Passed through Ohio Department of Education</i>				
National School Breakfast Program		10.553	\$1,007	\$1,007
National School Lunch Program	LL-P1/P4	10.555	<u>31,103</u>	<u>31,103</u>
<b>Total United States Department of Education</b>			32,110	32,110
<b>United States Department of Education</b>				
<i>Passed through Ohio Department of Education</i>				
Adult and Community Education	AB-S1	84.002	119,798	157,224
Special Education Preschool Grants	PG-S1	84.173	<u>54,713</u>	<u>51,561</u>
<b>Total United States Department of Education</b>			174,511	208,785
<b>United States Department of Health and Human Services</b>				
<i>Passed through the County Board of MRDD</i>				
Medical Assistance Program	N/A	93.778	<u>366,693</u>	<u>366,693</u>
<b>Total Federal Assistance</b>			<u>\$573,314</u>	<u>\$607,588</u>

N/A - not available

See Accompanying Notes to Schedule of Federal Awards Expenditures

---

Clermont County Educational Service Center  
Notes to the Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2005

---

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

---

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with *Government Auditing Standards***

Members of the Board  
Clermont County Educational Service Center  
2400 Clermont Center Drive  
Batavia, Ohio 45103

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clermont County Educational Services Center, Clermont County, Ohio (the Center), as of and for the year ended June 30, 2005 and have issued our report thereon dated December 21, 2005, wherein we noted that the Center implemented GASB Statement Number 40 and GASB Technical Bulletin Number 2. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Clermont County Educational Service Center  
Clermont County  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit Performed in Accordance  
with *Governmental Auditing Standards*  
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 21, 2005



# BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
www.harscherer.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

Members of the Board  
Clermont County Educational Service Center  
2400 Clermont Center Drive  
Batavia, Ohio 45103

### **Compliance**

We have audited the compliance of the Clermont County Educational Service Center (the 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, 2005. The 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 the Educational Service Center's management. Our responsibility is to express an opinion on the 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 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 the 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 of the Educational Service Center's compliance with those requirements.

In our opinion, the 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, 2005.

### **Internal Control Over Compliance**

The management of the 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 the 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants caused by an error or fraud 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 solely for the information and use of the audit committee, management, members of the Board, 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.



Balestra, Harr & Scherer, CPAs, Inc.  
December 21, 2005

Clermont Educational Service Center  
Clermont County

Schedule of Findings  
OMB Circular A-133 §.505  
For the Fiscal Year Ended June 30, 2005

**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)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Medical Assistance Program CFDA # 93.778
<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?	No

Clermont Educational Service Center  
Clermont County

Schedule of Findings  
OMB Circular A-133 §.505  
For the Fiscal Year Ended June 30, 2005

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
APRIL 6, 2006**