

---

# **HAMILTON/CLERMONT COOPERATIVE ASSOCIATION**

Basic Financial Statements

Years Ended June 30, 2011 and 2010

With Independent Auditors' Report







# Dave Yost • Auditor of State

Board of Directors  
Hamilton/Clermont Cooperative Association  
7615 Harrison Avenue  
Cincinnati, Ohio 45231

We have reviewed the *Independent Auditors' Report* of the Hamilton/Clermont Cooperative Association, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2009 through June 30, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Hamilton/Clermont Cooperative Association is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 30, 2011

**This page intentionally left blank.**

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Enterprise Fund	3
Notes to the Financial Statements	4 – 6
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>Government Auditing Standards</i>	7 – 8

**This page intentionally left blank.**

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of the  
Hamilton/Clermont Cooperative Association:

We have audited the accompanying financial statements of the Hamilton/Clermont Cooperative Association (the Association), as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Association has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the Association does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require associations to reformat their statements. The Association has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Hamilton/Clermont Cooperative Association as of June 30, 2011 and 2010, or its changes in financial position or cash flows for the years then ended.

Also in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Hamilton/Clermont Cooperative Association as of June 30, 2011 and 2010, and its cash receipts and disbursements for the years ended on the basis of accounting described in Note 1.

one east fourth street, ste. 1200  
cincinnati, oh 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

The Association has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2011, on our consideration of the Association'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.

*Clark, Schaefer, Haskett & Co.*

Cincinnati, Ohio  
December 12, 2011



**HAMILTON/CLERMONT COOPERATIVE ASSOCIATION**

Statements of Cash Receipts, Cash Disbursements,  
And Changes in Fund Cash Balance  
Enterprise Fund

For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Operating cash receipts:</b>		
Charges for services	\$ <u>5,256,598</u>	<u>5,125,058</u>
<b>Total operating cash receipts</b>	<u>5,256,598</u>	<u>5,125,058</u>
<b>Operating cash disbursements:</b>		
Personal services	1,975,581	1,959,552
Fringe benefits	610,043	587,052
Contractual services	1,158,629	1,248,860
Supplies and materials	976,257	967,611
Capital outlay	903,477	295,196
Other objects	<u>57,172</u>	<u>53,947</u>
<b>Total operating cash disbursements</b>	<u>5,681,159</u>	<u>5,112,218</u>
Operating income (loss)	<u>(424,561)</u>	<u>12,840</u>
<b>Non-operating cash receipts:</b>		
State subsidy	458,666	540,578
Contributions	<u>44,455</u>	<u>13,365</u>
<b>Total non-operating cash receipts</b>	<u>503,121</u>	<u>553,943</u>
Net receipts over disbursements	78,560	566,783
Fund cash balance, July 1	<u>2,722,135</u>	<u>2,155,352</u>
Fund cash balance, June 30	\$ <u>2,800,695</u>	<u>2,722,135</u>
Reserve for encumbrances, June 30	\$ <u>154,578</u>	<u>801,464</u>

See accompanying notes to the financial statements.

## HAMILTON/CLERMONT COOPERATIVE ASSOCIATION

### Notes to Financial Statements

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting principles and practices of the Association are set forth to facilitate the understanding of data presented in the financial statements.

##### Nature of operations

Hamilton/Clermont Cooperative Association, Hamilton County, Ohio (the Association) is an educational consortia established under Ohio Revised Code Section 3313.92 and is a member of the Ohio Educational Computer Network. As the agent for the participating communities, the Association was established to provide services to educational providers at reduced costs. These services consist of providing educational accounting software and data processing services. The Hamilton County Educational Service Center (Hamilton Co. ESC), one of the member educational providers, is the fiscal agent for the Association.

The Association is a jointly governed organization consisting of 36 school districts. The jointly governed 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 districts. Each of the governments of these schools supports the Association and share in a percentage of equity based on the resources provided. The Association is governed by a board of directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating School District is limited to its representation of the Board.

The Association's management believes these financial statements present all activities for which the Association is financially accountable.

##### Financial statement presentation

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

##### Cash with fiscal agent

Cash received by the Association is deposited to the operating account of the Hamilton Co. ESC. Hamilton Co. ESC distributes funds upon authorization of the Association. The chief fiscal officer for the Association is the Treasurer of Hamilton Co. ESC.

##### Fund accounting

The Association uses fund accounting to segregate cash that is restricted as to use. The Association uses an enterprise fund to account for the unrestricted expendable resources that are available to support the Association's general operations. The majority of the receipts collected in this fund consist of charges for services from member school districts. The Association also receives subsidy monies from the State of Ohio and grants from the federal government.

### Budgetary process

Since Hamilton Co. ESC is the fiscal agent for the Association, the Association's budgetary procedures follow the budgetary procedures of Hamilton Co. ESC. The Board of Directors of the Association approves an annual budget prior to submission to the fiscal agent. The specific timetable is as follows:

In June, the Hamilton Co. ESC Treasurer submits to the ESC's Governing Board a temporary proposed operating budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing for all funds. In September, the Governing Board adopts a permanent budget. Prior to June 30, the Governing Board must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated as estimated resources. The budget may be further amended during the year if projected increases or decreases in revenue are identified by the Hamilton Co. ESC Treasurer.

By the June Board meeting, the temporary annual appropriation resolution is legally enacted by the Governing Board at the fund level of expenditures, which is the legal level of budgetary control. Resolution appropriations by fund must be within the estimated resources approved by the Governing Board and the total of expenditures and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund appropriation must be approved by the Governing Board.

### Encumbrances

The Association reserves (encumbers) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

### Property and equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

### Unpaid vacation and sick leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Association.

## **2. CASH WITH FISCAL AGENT**

In accordance with the Ohio Revised Code, the Association's cash is held and invested by the Treasurer of Hamilton Co. ESC, who acts as custodian for Association monies. The Association's assets are held in Hamilton Co. ESC's cash and investment pool, and are valued at the Treasurer's reported carrying amount. The Association's carrying amounts of cash on deposit with Hamilton County ESC at June 30, 2011 and 2010 was \$2,800,695 and \$2,722,135, respectively.

### **3. RETIREMENT SYSTEM**

The Association contributes to the School Employees Retirement System of Ohio (SERS). SERS is a cost-sharing multiple-employer defined benefit pension plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code. For 2011 and 2010, members of SERS contributed 10% of their gross salaries. The Association contributed an amount equal to 14% of participants' gross salaries. The Association paid all contributions required through June 30, 2011 and 2010.

The Association also contributes to the State Teachers Retirement System of Ohio (STRS). STRS is a cost-sharing multiple-employer defined benefit pension plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits and participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code. For 2011 and 2010, members of SERS contributed 10% of their gross salaries. The Association contributed an amount equal to 14% of participants' gross salaries. The Association paid all contributions required through June 30, 2011 and 2010.

### **4. RISK MANAGEMENT**

The Association 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. The Association is included under the policy coverages of Hamilton Co. ESC, who carries commercial insurance.

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

To the Board of Directors of the  
Hamilton/Clermont Cooperative Association:

We have audited the financial statements of the Hamilton/Clermont Cooperative Association (the Association) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated December 12, 2011, wherein we noted the Association followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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

Management of the Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

We noted certain matters that we reported to management of the Association, in a separate letter dated December 12, 2011.

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

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 12, 2011



# Dave Yost • Auditor of State

**HAMILTON/CLERMONT COOPERATIVE ASSOCIATION**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 12, 2012**