
HAMILTON/CLERMONT COOPERATIVE ASSOCIATION

Basic Financial Statements

Years Ended June 30, 2013 and 2012

With Independent Auditors' Report



Dave Yost • Auditor of State

Board of Directors
Hamilton/Clermont Cooperative Association
7615 Harrison Ave
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, 2011 through June 30, 2013. 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 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

February 4, 2014

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

INDEPENDENT AUDITORS' REPORT

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

Report of Financial Statements

We have audited the accompanying financial statements and related notes of the Hamilton/Clermont Cooperative Association (the Association) as of and for the year ended June 30, 2013 and 2012.

Management's Responsibility for Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Association prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Association as of June 30, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Hamilton/Clermont Cooperative Association as of June 30, 2013 and 2012, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 20, 2013

HAMILTON/CLERMONT COOPERATIVE ASSOCIATION

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

For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating cash receipts:		
Charges for services	\$ <u>6,284,665</u>	<u>5,094,918</u>
Total operating cash receipts	<u>6,284,665</u>	<u>5,094,918</u>
 Operating cash disbursements:		
Personal services	2,112,587	2,070,607
Fringe benefits	635,040	631,723
Contractual services	1,662,985	1,464,260
Supplies and materials	1,065,923	815,824
Capital outlay	671,340	243,225
Other objects	<u>216,774</u>	<u>99,659</u>
Total operating cash disbursements	<u>6,364,649</u>	<u>5,325,298</u>
 Operating loss	<u>(79,984)</u>	<u>(230,380)</u>
 Non-operating cash receipts:		
State subsidy	431,182	460,503
Contributions	<u>28,368</u>	<u>170,719</u>
Total non-operating cash receipts	<u>459,550</u>	<u>631,222</u>
 Net receipts over disbursements	379,566	400,842
 Fund cash balance, July 1	<u>3,201,537</u>	<u>2,800,695</u>
 Fund cash balance, June 30	\$ <u>3,581,103</u>	<u>3,201,537</u>

See accompanying notes to the financial statements.

HAMILTON/CLERMONT COOPERATIVE ASSOCIATION

Notes to the 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, 2013 and 2012 was \$3,581,103 and \$3,201,537, 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 2013 and 2012, 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, 2013 and 2012.

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 2013 and 2012, members of STRS 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, 2013 and 2012.

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***

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hamilton/Clermont Cooperative Association (the Association) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated December 20, 2013 wherein we noted the Association followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a 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. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. According, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 20, 2013

This page intentionally left blank.



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
FEBRUARY 18, 2014**