



**Auditor of State  
Betty Montgomery**



**HAMILTON-CLERMONT COOPERATIVE ASSOCIATION  
HAMILTON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Enterprise Funds For the Year Ended June 30, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Enterprise Funds For the Year Ended June 30, 2002.....	4
Notes to the Financial Statements .....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	9
Schedule of Prior Audit Findings .....	11

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Hamilton-Clermont Cooperative Association  
Hamilton County  
7615 Harrison Avenue  
Cincinnati, Ohio 45231

To the Board of Director:

We have audited the accompanying financial statements of the Hamilton-Clermont Cooperative Association, Hamilton County, Ohio (the Association), as of and for the years ended June 30, 2003 and 2002. 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 prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Association as of June 30, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2003 on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Directors and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 31, 2003

**HAMILTON-CLERMONT COOPERATIVE ASSOCIATION  
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

	<b>2003</b>	<b>2002</b>
<b>Operating Cash Receipts:</b>		
Charges for Services	<u>\$3,459,208</u>	<u>\$2,469,971</u>
Total Operating Cash Receipts	<u>3,459,208</u>	<u>2,469,971</u>
<b>Operating Cash Disbursements:</b>		
Personal Services	1,594,872	1,586,921
Contractual Services	2,219,112	1,701,613
Supplies and Materials	228,651	183,927
Capital Outlay	899,449	1,080,057
Other Operating Disbursements	<u>48,823</u>	<u>50,964</u>
Total Operating Cash Disbursements	<u>4,990,907</u>	<u>4,603,482</u>
Operating Loss	<u>(1,531,699)</u>	<u>(2,133,511)</u>
<b>Non-Operating Cash Receipts:</b>		
State Subsidy	1,366,820	1,623,233
E-Rate Telecommunication Receipts	215,737	350,800
One Net School Net Receipts	11,373	0
Library Matching Fund - State	128,468	236,781
Library Matching Fund - Local	<u>32,304</u>	<u>89,446</u>
Total Non-Operating Cash Receipts	<u>1,754,702</u>	<u>2,300,260</u>
Excess of Receipts Over Disbursements	223,003	166,749
Repayment to Hamilton County Educational Service Center	<u>0</u>	<u>(100,000)</u>
Net Receipts Over Disbursements	223,003	66,749
Fund Cash Balances, July 1(as Restated see Note 5)	<u>1,299,071</u>	<u>1,232,322</u>
<b>Fund Cash Balances, June 30</b>	<b><u>\$1,745,077</u></b>	<b><u>\$1,299,071</u></b>
Reserve for Encumbrances, June 30	<u>\$366,214</u>	<u>\$280,438</u>

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

**This page intentionally left blank.**

**HAMILTON-CLERMONT COOPERATIVE ASSOCIATION  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Hamilton-Clermont Cooperative Association, Hamilton County, Ohio (the Association), is a Regional Council of Governments, organized under Chapter 167 pursuant to Section 3313.92 of the Ohio Revised Code. 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, one of the member educational providers, is the fiscal agent for the Association.

The Association is a governmental jointly governed organization consisting of 29 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 shares 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 on the Board. The Board consists of one representative from each of the participating 29 school districts.

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

**B. Basis of Accounting**

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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash with Fiscal Agent**

Cash received by the Association is deposited to the operating account of the Hamilton County Educational Service Center. The Hamilton County Educational Service Center serves as the fiscal agent for the Association by disbursing funds upon authorization of the Association.

**D. Fund Accounting**

The Association uses fund accounting to segregate cash that is restricted as to use. The financial statements present the Enterprise Fund activity at the combined level. For internal accounting purposes, the Association classifies its Enterprise Funds into the following types:

**HAMILTON-CLERMONT COOPERATIVE ASSOCIATION  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Operating Fund**

The Operating Fund includes unrestricted expendable resources that are available to support the Hamilton/Clermont Cooperative Association's general operations. The majority of the funds collected in the operating fund consist of charges for services from member school districts.

**2. Grant Funds**

The Grant Funds consist of grant monies received from the state government. The purpose of this fund is to account for monies received from the applicable governments for reimbursement of any portion of the Association's costs to which the Association may be entitled.

**3. E-Rate Telecommunications Fund**

The E-Rate Telecommunications Fund is used to account for E-Rate revenues received from the Association's telecommunications providers. This revenue is subsequently disbursed to the Association's member school districts.

**E. Budgetary Process**

The Hamilton County Educational Service Center is the fiscal agent for the Association; therefore, the Association's budgetary procedures follow the budgetary procedures of the Hamilton County Educational Service Center, as follows:

The Governing Board of the Hamilton County Educational Service Center adopts an annual budget for all fund types. The specific timetable is as follows:

In June, the Treasurer submits to the 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 August the Board adopts a permanent budget. By no later than August 31, the board-adopted budget is filed with the Ohio Department of Education using special form SF5. Prior to June 30, the 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 Board Treasurer.

By the June Board meeting, the temporary annual appropriation resolution is legally enacted by the Governing Board at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as approved by the Board and the total of expenditures and encumbrances may not exceed the appropriation totals.

Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Governing Board.

**HAMILTON-CLERMONT COOPERATIVE ASSOCIATION  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Appropriations**

The financial activity of the Association is appropriated as approved by the Governing Board of the Hamilton County Educational Service Center. The Ohio Revised Code does not require the Association to appropriate funds.

**2. Encumbrances**

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

**F. Property, Plant and Equipment**

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

**G. 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 Ohio Revised Code, the Association's cash is held and invested by the Treasurer of the Hamilton County Educational Service Center, who acts as custodian for Association monies. The Association's assets are held in the Hamilton County Educational Service Center'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 the Hamilton County Educational Service Center at June 30, 2003 and 2002 was \$1,522,074 and \$1,299,071, respectively.

The Treasurer of the Hamilton County Educational Service Center, as the ultimate fiscal agent for the Association, is responsible for maintaining adequate depository collateral for all funds in the Service Center's pooled and deposit accounts.

**3. RETIREMENT SYSTEMS**

The Associations employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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 2002 and 2003, SERS members contributed 9% of their gross salaries. The Association contributed an amount equal to 14% of participants' gross salaries. The Association has paid all contributions required through June 30, 2003.

**HAMILTON-CLERMONT COOPERATIVE ASSOCIATION  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002  
(Continued)**

**4. RISK MANAGEMENT**

The Hamilton/Clermont Cooperative 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 provided its own liability and automobile insurance. The Association was under the policy coverage of the Hamilton County Educational Service Center for property insurance.

**5. PRIOR PERIOD ADJUSTMENT**

An adjustment was made to the July 1, 2001, Enterprise fund balance. The adjustment increased the Enterprise fund balance by \$9,174 due to the inclusion of fund 451 Special Cost Center 9462 containing One Net receipts. This resulted in restating the July 1, 2001 Enterprise fund balance from \$1,223,148 to \$1,232,322.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Hamilton-Clermont Cooperative Association  
Hamilton County  
7615 Harrison Avenue  
Cincinnati, Ohio 45231

To the Board of Directors:

We have audited the accompanying financial statements of the Hamilton/Clermont Cooperative Association, Hamilton County, Ohio (the Association), as of and for the year ended June 30, 2002 and 2003 and have issued our report thereon dated December 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether 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, 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 that are required to be reported under *Government Auditing Standards*. However we noted a immaterial instance of noncompliance that we have reported to management of the Association in a separate letter dated DATE.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Association in a separate letter dated December 31, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 31, 2003

HAMILTON-CLERMONT COOPERATIVE ASSOCIATION  
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2001-10431-001	A reportable condition recommendation was issued for the Association to follow its procedure of encumbering.	Yes	

**This Page is Intentionally Left Blank.**



**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

**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 5, 2004**