



OHIO AUDITOR OF STATE  
**KEITH FABER**





**HAMILTON-CLERMONT COOPERATIVE ASSOCIATION  
HAMILTON COUNTY  
JUNE 30, 2020 AND 2019**

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## INDEPENDENT AUDITOR'S REPORT

Hamilton-Clermont Cooperative Association  
Hamilton County  
1007 Cottonwood Drive  
Loveland, Ohio 45140

To the Executive Committee:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Hamilton-Clermont Cooperative Association, Hamilton County, Ohio (the Association), as of and for the years ended June 30, 2020, 2019, and 2018.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Association does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2020, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements, and related notes of the Association, as of June 30, 2020, 2019, and 2018, and 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(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 7 to the 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Association. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.



Keith Faber  
Auditor of State  
Columbus, Ohio

December 28, 2020

**HAMILTON CLERMONT COOPERATIVE**  
Hamilton County

Statements of Receipts, Disbursements, and  
Changes in Fund Balance (Cash Basis)  
Proprietary Fund  
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Operating cash receipts:</b>		
Charges for services	\$ 6,602,862	\$ 6,980,706
<b>Total operating cash receipts</b>	<u>6,602,862</u>	<u>6,980,706</u>
<b>Operating cash disbursements:</b>		
Personal services	3,063,394	2,862,611
Fringe benefits	949,264	877,647
Contractual services	1,349,246	2,116,270
Supplies and materials	1,894,177	1,897,217
Capital outlay	565,186	476,388
Other objects	54,211	63,810
Principal Expense	40,000	35,000
Interest Expense	45,800	47,300
<b>Total operating cash disbursements</b>	<u>7,961,278</u>	<u>8,376,243</u>
Operating income (loss)	<u>(1,358,416)</u>	<u>(1,395,537)</u>
<b>Non-operating cash receipts and (cash disbursements):</b>		
State subsidy	322,441	131,715
Advances in	819,991	-
<b>Total non-operating cash receipts and (cash disbursements)</b>	<u>1,142,432</u>	<u>131,715</u>
Net receipts over (under) disbursements	(215,984)	(1,263,822)
Fund cash balance, July 1	<u>1,592,686</u>	<u>2,856,508</u>
Fund cash balance, June 30	\$ <u>1,376,702</u>	\$ <u>1,592,686</u>

See accompanying notes to the financial statements.

**Hamilton Clermont Cooperative**  
**Hamilton County, Ohio**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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**Note 1 - Summary of Significant Accounting Policies**

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

Nature of operations

Hamilton Clermont Cooperative, Hamilton County, Ohio (the Cooperative) is an educational consortia pursuant to Chapter 167 of the Ohio Revised Code and is a member of the Ohio Educational Computer Network. As the agent for the participating communities, the Cooperative 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 Cooperative.

The Cooperative 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 Cooperative and share in a percentage of equity based on the resources provided. The Cooperative 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 Cooperative's management believes these financial statements present all activities for which the Cooperative is financially accountable.

Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Cooperative recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Cash and Investments

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

Fund accounting

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



**Hamilton Clermont Cooperative**  
**Hamilton County, Ohio**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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Budgetary process

The Cooperative is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Hamilton Co. ESC is the fiscal agent for the Cooperative, therefore, the Cooperative's budgetary procedures follow the budgetary procedures of the Hamilton Co. ESC. The Board of Directors of the Cooperative 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. 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.

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 Cooperative.

**Note 2 – Cash with Fiscal Agent**

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In accordance with the Ohio Revised Code, the Cooperative's cash is held and invested by the Treasurer of the Hamilton Co. ESC, who acts as custodian for Cooperative monies. The Cooperative's assets are held in the Hamilton Co. ESC's cash and investment pool, and are valued at the Treasurer's reported carrying amount. The Cooperative's carrying amounts of cash on deposit with the Hamilton County ESC at June 30, 2020 and 2019 was \$1,376,702 and \$1,592,686, respectively.

**Note 3 – Retirement System**

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The Cooperative 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 2020 and 2019, members of SERS contributed 10% of their gross salaries. The Cooperative contributed an amount equal to 14% of participants' gross salaries. The Cooperative paid all contributions required through June 30, 2020 and 2019.

**Hamilton Clermont Cooperative**  
**Hamilton County, Ohio**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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The Cooperative 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 2020 and 2019, members of STRS contributed 14% of their gross salaries. The Cooperative contributed an amount equal to 14% of participants' gross salaries. The Cooperative paid all contributions required through June 30, 2020 and 2019.

**Note 4 – Risk Management**

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

Employees are also provided with health insurance and dental and vision coverage through a private carrier.

**Note 5 - Long-Term Debt**

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On February 15, 2018, the Cooperative entered into an open-ended mortgage and security agreement with First Internet Public Finance Corporation for the purchase of property. The Cooperative is indebted in the principal amount of \$1,125,000 as of June 30, 2020 pursuant to an Installment Loan Payment Agreement.

	Maturity Date	Beginning Balance July 1, 2019	Additions	Reductions	Ending Balance June 30, 2020	Due In One Year
<b>Governmental Activities:</b>						
2018 Installment Loan Payment Agreement	12/1/2037	\$1,165,000	\$0	(\$40,000)	\$1,125,000	\$45,000
Total Long Term Debt		<u>\$1,165,000</u>	<u>\$0</u>	<u>(\$40,000)</u>	<u>\$1,125,000</u>	<u>\$45,000</u>

Principal and interest requirements to retire the 2018 Installment Loan Payment Agreement are as follows:

Fiscal Year Ending June 30	Bond and Notes Payable		
	Principal	Interest	Total
2021	\$ 45,000	\$ 44,100	\$ 89,100
2022	45,000	42,300	87,300
2023	45,000	40,500	85,500
2024	50,000	38,600	88,600
2025	50,000	36,600	86,600
2026-2030	290,000	149,600	439,600
2031-2035	355,000	85,500	440,500
2036-2038	245,000	14,900	259,900
Total	<u>\$1,125,000</u>	<u>\$452,100</u>	<u>\$1,577,100</u>

**Hamilton Clermont Cooperative**  
**Hamilton County, Ohio**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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**Note 6 - Advances**

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All advances that are reported on the financial statements are received from/paid to the Hamilton County Educational Service Center (HCESC) to cover negative cash balances.

**Note 7 – Subsequent Event**

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The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Cooperative. The impact on the Cooperative's future operating costs, revenues, and recovery from emergency funding, either federal or state, cannot be estimated.

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**HAMILTON CLERMONT COOPERATIVE**

Hamilton County

Statements of Receipts, Disbursements, and

Changes in Fund Balance (Cash Basis)

Proprietary Fund

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Operating cash receipts:</b>		
Charges for services	\$ 6,980,706	\$ 7,454,027
<b>Total operating cash receipts</b>	<u>6,980,706</u>	<u>7,454,027</u>
<b>Operating cash disbursements:</b>		
Personal services	2,862,611	2,611,548
Fringe benefits	877,647	779,769
Contractual services	2,116,270	1,941,690
Supplies and materials	1,897,217	1,430,048
Capital outlay	476,388	3,513,243
Other objects	63,810	56,375
Principal Expense	35,000	-
Interest Expense	47,300	14,133
<b>Total operating cash disbursements</b>	<u>8,376,243</u>	<u>10,346,806</u>
Operating income (loss)	<u>(1,395,537)</u>	<u>(2,892,779)</u>
<b>Non-operating cash receipts and (cash disbursements):</b>		
State subsidy	131,715	435,507
Installment Loan Proceeds	-	1,200,000
Installment Loan Issuance Costs	-	(41,000)
Advances out	-	(271,459)
<b>Total non-operating cash receipts and (cash disbursements)</b>	<u>131,715</u>	<u>1,323,048</u>
Net receipts over (under) disbursements	(1,263,822)	(1,569,731)
Fund cash balance, July 1	<u>2,856,508</u>	<u>4,426,239</u>
Fund cash balance, June 30	\$ <u>1,592,686</u>	\$ <u>2,856,508</u>

See accompanying notes to the financial statements.

**Hamilton Clermont Cooperative**  
**Hamilton County, Ohio**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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**Hamilton Clermont Cooperative**  
**Hamilton County, Ohio**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

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**Hamilton Clermont Cooperative**  
**Hamilton County, Ohio**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2019 and 2018**

---

The Cooperative 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 2019 and 2018, members of STRS contributed 14% of their gross salaries. The Cooperative contributed an amount equal to 14% of participants' gross salaries. The Cooperative paid all contributions required through June 30, 2019 and 2018.

**Note 4 – Risk Management**

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

Employees are also provided with health insurance and dental and vision coverage through a private carrier.

**Note 5 - Long-Term Debt**

---

On February 15, 2018, the Cooperative entered into an open-ended mortgage and security agreement with First Internet Public Finance Corporation for the purchase of property. The Cooperative is indebted in the principal amount of \$1,165,000 as of June 30, 2019 pursuant to an Installment Loan Payment Agreement.

	<u>Maturity Date</u>	<u>Beginning Balance July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance June 30, 2019</u>	<u>Due In One Year</u>
<b>Governmental Activities:</b>						
2018 Installment Loan Payment Agreement	12/1/2037	\$1,200,000	\$0	(\$35,000)	\$1,165,000	\$40,000
Total Long Term Debt		<u>\$1,200,000</u>	<u>\$0</u>	<u>(\$35,000)</u>	<u>\$1,165,000</u>	<u>\$40,000</u>

Principal and interest requirements to retire the 2018 Installment Loan Payment Agreement are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Bond and Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 40,000	\$ 45,500	\$ 85,500
2021	45,000	44,100	89,100
2022	45,000	42,300	87,300
2023	45,000	40,500	85,500
2024	50,000	38,600	88,600
2025-2029	280,000	161,000	441,000
2030-2034	340,000	99,400	439,400
2035-2038	320,000	26,200	346,200
Total	<u>\$1,165,000</u>	<u>\$497,600</u>	<u>\$1,662,600</u>

**Hamilton Clermont Cooperative  
Hamilton County, Ohio  
Notes to the Financial Statements  
For the Fiscal Years Ended June 30, 2019 and 2018**

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**Note 6 - Advances**

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All advances that are reported on the financial statements are received from/paid to the Hamilton County Educational Service Center (HCESC) to cover negative cash balances.

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Hamilton-Clermont Cooperative Association  
Hamilton County  
1007 Cottonwood Drive  
Loveland, Ohio 45140

To the Executive Committee:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the Hamilton-Clermont Cooperative Association, Hamilton County, Ohio (the Association), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2020, wherein we noted the Association followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact the subsequent periods of the Association.

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

As part of our financial statement audit, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Association's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Association's financial statements. A *significant deficiency* is a deficiency, or a 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Association's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

December 28, 2020



Your Partner For  
Worry-Free Efficiency

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Hamilton/Clermont Cooperative  
**June 30, 2020**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2018-001	Errors in financial reporting	Fully corrected	



# OHIO AUDITOR OF STATE KEITH FABER



**HAMILTON-CLERMONT COOPERATIVE ASSOCIATION**

**HAMILTON COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 1/19/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)