

**HAMILTON/CLERMONT
COOPERATIVE ASSOCIATION**

Financial Statements

For the Years Ended June 30, 2005 and 2004

With

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

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, 2003 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.

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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 22, 2006

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HAMILTON/CLERMONT COOPERATIVE ASSOCIATION

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

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, 2005 and 2004. 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

As described in Note 1, the Association has prepared these 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, 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 Association as of June 30, 2005 and 2004, 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, Hamilton County, Ohio as of June 30, 2005 and 2004, and its cash receipts and cash 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 July 17, 2006 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. 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 audits.

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
July 17, 2006

HAMILTON/CLERMONT COOPERATIVE ASSOCIATION

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

For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating cash receipts:		
Charges for services	\$ <u>3,452,645</u>	<u>3,713,996</u>
Total operating cash receipts	<u>3,452,645</u>	<u>3,713,996</u>
Operating cash disbursements:		
Personal services	1,324,751	1,241,789
Fringe benefits	366,808	314,653
Contractual services	1,440,405	1,460,170
Supplies and materials	302,550	471,742
Capital outlay	612,364	1,098,762
Other objects	<u>50,946</u>	<u>59,430</u>
Total operating cash disbursements	<u>4,097,824</u>	<u>4,646,546</u>
Operating loss	<u>(645,179)</u>	<u>(932,550)</u>
Non-operating cash receipts:		
State subsidy	944,601	893,635
Contributions	<u>66,500</u>	<u>-</u>
Total non-operating cash receipts	<u>1,011,101</u>	<u>893,635</u>
Net receipts over (under) disbursements	365,922	(38,915)
Fund cash balance, July 1 (as restated, see Note 5)	<u>1,483,159</u>	<u>1,522,074</u>
Fund cash balance, June 30	\$ <u>1,849,081</u>	<u>1,483,159</u>
Reserve for encumbrances, June 30	\$ <u>350,023</u>	<u>539,452</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 31 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 presents 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.

Budgetary process

Since the Hamilton Co. ESC is the fiscal agent for the Association, the Association's budgetary procedures follow the budgetary procedures of the 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 Board of Education, 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 Board of Education adopts a permanent budget. Prior to June 30, the Board of Education 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 Board of Education at the fund level of expenditures, which is the legal level 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 approved by the Board of Education 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 Board of Education.

Appropriations

The financial activity of the Association is appropriated as approved by the Board of Education of Hamilton Co. ESC. The Ohio Revised Code does not require the Association to appropriate funds.

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 Co. ESC at June 30, 2005 and 2004 was \$1,849,081 and \$1,483,159, 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 2005 and 2004, 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, 2005 and 2004.

3. RETIREMENT SYSTEM (Continued)

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 2005 and 2004, 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, 2005 and 2004.

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.

5. PRIOR PERIOD ADJUSTMENT

An adjustment was made to the July 1, 2003 Enterprise fund balance. The adjustment decreased the Enterprise fund balance by \$223,003 due to a mathematical error in the previously issued financial statements for the years ended June 30, 2003 and 2002. This resulted in restating the July 1, 2003 Enterprise fund balance from \$1,745,077 to \$1,522,074.



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

**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
Hamilton/Clermont Cooperative Association, Butler County:

We have audited the financial statements of the Hamilton/Clermont Cooperative Association, Hamilton County, Ohio (the Association) as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated July 17, 2006, 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

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 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 operations that we consider to be material weaknesses.

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 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*.

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

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
July 17, 2006



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Betty Montgomery**

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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
OCTOBER 5, 2006**