



Dave Yost • Auditor of State



HAMILTON/CLERMONT COOPERATIVE ASSOCIATION  
HAMILTON COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### ***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, 2016 and 2015.

### ***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 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, 2016 and June 30, 2015, or changes in financial position 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 of Hamilton/Clermont Cooperative Association, Hamilton County, Ohio, as of June 30, 2016 and June 30, 2015, 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(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2017, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio  
February 2, 2017

**HAMILTON/CLERMONT COOPERATIVE ASSOCIATION**

Hamilton County

Statements of Receipts, Disbursements, and  
Changes in Fund Balance (Cash Basis)  
Proprietary Fund

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Operating cash receipts:</b>		
Charges for services	\$ 6,130,833	6,473,263
<b>Total operating cash receipts</b>	<u>6,130,833</u>	<u>6,473,263</u>
<b>Operating cash disbursements:</b>		
Personal services	2,235,903	2,157,562
Fringe benefits	672,925	645,517
Contractual services	2,007,323	1,559,621
Supplies and materials	1,346,904	1,088,669
Capital outlay	561,958	761,996
Other objects	<u>63,598</u>	<u>47,029</u>
<b>Total operating cash disbursements</b>	<u>6,888,611</u>	<u>6,260,394</u>
Operating income (loss)	<u>(757,778)</u>	<u>212,869</u>
<b>Non-operating cash receipts and (cash disbursements):</b>		
State subsidy	<u>417,359</u>	<u>450,940</u>
<b>Total non-operating cash receipts and (cash disbursements)</b>	<u>417,359</u>	<u>450,940</u>
Net receipts over (under) disbursements	(340,419)	663,809
Fund cash balance, July 1	<u>4,671,772</u>	<u>4,007,963</u>
Fund cash balance, June 30	\$ <u>4,331,353</u>	<u>4,671,772</u>

See accompanying notes to the financial statements.

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**Hamilton/Clermont Cooperative Association**  
**Hamilton County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

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

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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 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 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.

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 Council 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 Association is deposited to the operating account of their fiscal agent 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.

**Hamilton/Clermont Cooperative Association**  
**Hamilton County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

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Budgetary process

The Association is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Hamilton Co. ESC is the fiscal agent for the Association, therefore, 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 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 Association.

**Note 2 – Cash with Fiscal Agent**

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In accordance with the Ohio Revised Code, the Association's cash is held and invested by the Treasurer of the Hamilton Co. ESC, who acts as custodian for Association monies. The Association'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 Association's carrying amounts of cash on deposit with the Hamilton County ESC at June 30, 2016 and 2015 was \$4,331,353 and \$4,671,772, respectively.

**Note 3 – Retirement System**

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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 2016 and 2015, 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, 2016 and 2015.

**Hamilton/Clermont Cooperative Association**  
**Hamilton County, Ohio**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Years Ended June 30, 2016 and 2015**

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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 2016 and 2015, members of STRS contributed 13% and 12% respectively, 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, 2016 and 2015.

**Note 4 – Risk Management**

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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 the Hamilton Co. ESC, who carries commercial insurance.

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

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# Dave Yost • Auditor of State

## 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  
7615 Harrison Avenue  
Cincinnati, Ohio 45231

To the Board of Directors:

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 Hamilton/Clermont Cooperative Association, Hamilton County, Ohio (the Association), as of and for the years ended June 30, 2016 and June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated February 2, 2017, 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.

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

As part of our financial statement audit, we considered the Association's internal control over financial reporting (internal control) to determine the 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

***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 determination of financial statement amounts. 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 Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 2, 2017

HAMILTON CLERMONT COOPERATIVE ASSOCIATION  
HAMILTON COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2016 and JUNE 30, 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2016-001

MATERIAL WEAKNESS

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements as required by Rule 117-2-03 of the Ohio Administrative Code.

The following condition was noted in the financial statements:

- Intra-fund transfers between cost centers in the amount of \$1,403,000, which should have been eliminated for reporting purposes, were improperly reported on the financial statements. This resulted in overstated transfers in and transfers out in the amount of \$1,403,000.

The financial statements have been adjusted to correct this error.

We recommend the Center eliminate intra-fund transfers in the process of preparing its financial statements.

**Officials' Response:**

We did not receive a response from Officials to this finding.

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# 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 23, 2017**