



**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
(MDECA)  
MONTGOMERY COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**



**Auditor of State  
Betty Montgomery**



**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
MONTGOMERY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Types – For the Year Ended June 30, 2005.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Types – For the Year Ended June 30, 2004.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11

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**Auditor of State  
Betty Montgomery**

Metropolitan Dayton Educational Cooperative Association (MDECA)  
Montgomery County  
225 Linwood Street  
Dayton, Ohio 45405

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

April 27, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Metropolitan Dayton Educational Cooperative Association (MDECA)  
Montgomery County  
225 Linwood Street  
Dayton, Ohio 45405

To the Board of Directors:

We have audited the accompanying financial statements of the Metropolitan Dayton Educational Cooperative Association, Montgomery County, (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 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Association to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2005 and 2004. Instead of the funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Association does not follow GAAP, auditing standards generally accepted in the United States of America requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Association has elected not to reformat its statements. Since this Association does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2005 and 2004 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 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 Metropolitan Dayton Educational Cooperative Association, Montgomery County, as of June 30, 2005 and 2004, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to accounting principles generally accepted in the United States of America also requires the Association to include Management's Discussion and Analysis for the years ended June 30, 2005 and 2004. The Association has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

April 27, 2006



**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental Revenue	\$837,364	\$670,098	\$1,507,462
Charges for Services	1,482,035		1,482,035
Earnings on Investments	31,398		31,398
	<u>2,350,797</u>	<u>670,098</u>	<u>3,020,895</u>
<b>Cash Disbursements:</b>			
Operating:			
Personal Services	1,278,481		1,278,481
Contractual Services	601,769		601,769
Intergovernmental Expenses		521,182	521,182
Supplies and Materials	62,976		62,976
Capital Outlay	118,714		118,714
Other	19,631		19,631
	<u>2,081,571</u>	<u>521,182</u>	<u>2,602,753</u>
Total Receipts Over/(Under) Disbursements	<u>269,226</u>	<u>148,916</u>	<u>418,142</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Loan Proceeds	23,420		23,420
Transfers-In		32,305	32,305
Transfers-Out	(32,305)		(32,305)
	<u>(8,885)</u>	<u>32,305</u>	<u>23,420</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	260,341	181,221	441,562
Fund Cash Balances, July 1	<u>1,900,227</u>	<u>42,764</u>	<u>1,942,991</u>
<b>Fund Cash Balances, June 30</b>	<b><u>\$2,160,568</u></b>	<b><u>\$223,985</u></b>	<b><u>\$2,384,553</u></b>
Reserve for Encumbrances, June 30	<u>\$321,771</u>	<u>\$0</u>	<u>\$321,771</u>

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

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental Revenue	\$791,585	\$441,755	\$1,233,340
Charges for Services	1,412,878		1,412,878
Earnings on Investments	18,467		18,467
	<u>2,222,930</u>	<u>441,755</u>	<u>2,664,685</u>
<b>Total Cash Receipts</b>			
	<u>2,222,930</u>	<u>441,755</u>	<u>2,664,685</u>
<b>Cash Disbursements:</b>			
Operating:			
Personal Services	1,233,297		1,233,297
Contractual Services	1,019,150		1,019,150
Intergovernmental Expenses		496,754	496,754
Supplies and Materials	48,429		48,429
Capital Outlay	156,881		156,881
Other	24,179		24,179
	<u>2,481,936</u>	<u>496,754</u>	<u>2,978,690</u>
<b>Total Cash Disbursements</b>			
	<u>2,481,936</u>	<u>496,754</u>	<u>2,978,690</u>
Total Receipts Over/(Under) Disbursements	<u>(259,006)</u>	<u>(54,999)</u>	<u>(314,005)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In		38,719	38,719
Transfers-Out	(38,719)		(38,719)
	<u>(38,719)</u>	<u>38,719</u>	<u></u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
	<u>(38,719)</u>	<u>38,719</u>	<u></u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(297,725)	(16,280)	(314,005)
Fund Cash Balances, July 1	2,197,952	59,044	2,256,996
<b>Fund Cash Balances, June 30</b>	<u><b>\$1,900,227</b></u>	<u><b>\$42,764</b></u>	<u><b>\$1,942,991</b></u>
Reserve for Encumbrances, June 30	<u>\$196,633</u>	<u>\$0</u>	<u>\$196,633</u>

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

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Metropolitan Dayton Educational Cooperative Association, Montgomery County, (the Association), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Association operates under a Board of Directors consisting of six members elected from a general assembly for three terms, and the superintendent from the fiscal agent school district for a perpetual term.

The Association provides computer systems for the needs of the member Boards of Education as authorized by state statute guidelines. The Association serves ninety schools in Darke, Greene, Miami, and Montgomery counties.

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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Investments**

The Association's cash is held and invested by the Montgomery County Educational Service Center (the Center), who acts as custodian for Association monies. The Association's assets are held in the Center's cash and investment pool.

**D. Fund Accounting**

The Association uses fund accounting to segregate cash and investments that are restricted as to use. The Association classifies its funds into the following fund types:

**1. General Fund**

The General Fund is the general operating fund of the Association. It is used to account for all Association financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Association for any purpose provided it is expended or transferred according to the general laws of Ohio.

**2. Special Revenue Fund**

This fund is used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes.

**E. Budgetary Process**

1. The Association's Constitution requires the membership assembly to approve an annual budget. This budget is to be developed and controlled by the Association's Operating Committee. The budget includes an estimate of the amounts expected to be received and expended by the Association during the fiscal year.

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004  
(Continued)**

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

**2. Encumbrances**

The Association reserves (encumber) appropriations when commitments are made. These are reported as budgetary expenditures in Note 2. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 2.

**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. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Association's basis of accounting used by the Association.

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2005 and 2004 follows:

**2005 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$2,374,217	\$2,374,217	\$0

**2005 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$3,108,599	\$2,435,647	\$672,952

**2004 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$2,290,128	\$2,222,930	(\$67,198)

**2004 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$3,389,561	\$2,717,288	\$672,273

The Board approved a budget only for the General Fund for fiscal years 2005 and 2004.

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004  
(Continued)**

**3. RETIREMENT SYSTEMS**

The Association's full-time employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer defined benefit 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 fiscal years 2005 and 2004, members of SERS 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, 2005.

**4. RISK MANAGEMENT**

The Association has obtained commercial comprehensive property and general liability insurance. In addition, the Association provides health insurance and dental and vision coverage to full-time employees of the Association through a private carrier.

**5. LOAN OBLIGATION**

The Montgomery County Educational Service Center (the Center) loaned the Association \$23,470 on June 30, 2005. The loan was made to cover an encumbrance made on June 30, 2005. The Center did not assess any interest charges to the Association for these funds. On February 25, 2006 the Association repaid the entire amount of the loan to the Center.

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## **Auditor of State Betty Montgomery**

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

Metropolitan Dayton Educational Cooperative Association (MDECA)  
Montgomery County  
225 Linwood Street  
Dayton, Ohio 45405

To the Board of Directors:

We have audited the financial statements of the Metropolitan Dayton Educational Cooperative Association, Montgomery County, (the Association), as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated April 27, 2006, wherein we noted the Association prepared its financial statements using accounting practices the Auditor of State established 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 the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the Association's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Association's management dated April 27, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

#### **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, providing an opinion 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*. In a separate letter to the Association's management dated April 27, 2006, we reported a matter related to noncompliance we deemed immaterial.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Metropolitan Dayton Educational Cooperative Association  
Montgomery County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management, and the Board of Directors. It is not intended for 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

April 27, 2006





**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

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION**

**MONTGOMERY 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  
MAY 30, 2006**