



**Auditor of State
Betty Montgomery**

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

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Metropolitan Dayton Educational Cooperative Association (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 October 23, 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 the audit committee, management, the Board and other officials authorized to receive this report under § 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

October 23, 2003

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$1,079,385	\$489,826	\$1,569,211
Charges for Services	1,386,594		1,386,594
Earnings on Investments	38,415		38,415
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	2,504,394	489,826	2,994,220
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Operating:			
Personal Services	1,126,962		1,126,962
Contractual Services	1,171,069		1,171,069
Intergovernmental Expenses		572,423	572,423
Supplies and Materials	57,195		57,195
Capital Outlay	533,871		533,871
Other	25,489		25,489
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	2,914,586	572,423	3,487,009
	<hr/>	<hr/>	<hr/>
Total Receipts (Under) Disbursements	(410,192)	(82,597)	(492,789)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):			
Transfers-In	380,188	53,602	433,790
Transfers-Out	(433,790)		(433,790)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(53,602)	53,602	0
	<hr/>	<hr/>	<hr/>
Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(463,794)	(28,995)	(492,789)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, July 1	2,661,746	88,039	2,749,785
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, June 30	<u>\$2,197,952</u>	<u>\$59,044</u>	<u>\$2,256,996</u>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, June 30	<u>\$479,561</u>	<u>\$0</u>	<u>\$479,561</u>

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

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$1,718,229	\$325,522	\$2,043,751
Charges for Services	1,304,908		1,304,908
Earnings on Investments	67,768		67,768
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	3,090,905	325,522	3,416,427
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Operating:			
Personal Services	1,090,505		1,090,505
Contractual Services	1,253,174		1,253,174
Intergovernmental Expenses		419,031	419,031
Supplies and Materials	80,599		80,599
Capital Outlay	201,215		201,215
Other	19,867		19,867
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	2,645,360	419,031	3,064,391
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	445,545	(93,509)	352,036
	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):			
Transfers-In	371,101	66,012	437,113
Advances-In	19,289		19,289
Transfers-Out	(437,113)		(437,113)
Advances-Out	(19,289)		(19,289)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(66,012)	66,012	0
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	379,533	(27,497)	352,036
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, July 1	2,282,213	115,536	2,397,749
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, June 30	<u>\$2,661,746</u>	<u>\$88,039</u>	<u>\$2,749,785</u>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, June 30	<u>\$99,239</u>	<u>\$0</u>	<u>\$99,239</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, 2003 AND 2002**

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 eighty-seven 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 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.

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION
MONTGOMERY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

1. The Association Constitution requires the membership assembly to approve an annual Association 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.

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 2003 and 2002 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, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,854,833	\$2,884,582	\$29,749

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,275,936	\$3,827,937	\$447,999

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION
MONTGOMERY COUNTY**

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

2. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,458,796	\$3,462,006	\$1,003,210

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,548,806	\$3,181,712	\$367,094

The Board approved a budget only for the General Fund for fiscal years 2003 and 2002.

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 2003 and 2002, 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, 2003.

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.

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Trustees:

We have audited the accompanying financial statements of the Metropolitan Dayton Educational Cooperative Association (the Association) as of and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated October 23, 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*.

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 October 23, 2003.

This report is intended solely for the information and use of the Operating committee, management, and the Board of Trustees, 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

October 23, 2003



**Auditor of State
Betty Montgomery**

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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
DECEMBER 2, 2003**