



**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION
MONTGOMERY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2001 AND 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION
MONTGOMERY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Metropolitan Dayton Educational Cooperative Association
Montgomery County
201 Riverside Drive
Dayton, Ohio 45405

To the Board of Directors:

We have audited the accompanying financial statements of the Metropolitan Dayton Educational Cooperative Association (the Association), Montgomery County, as of and for the years ended June 30, 2001 and 2000. 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserve for encumbrances of the Metropolitan Dayton Educational Cooperative Association as of June 30, 2001 and 2000, and its 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 November 16, 2001, 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 operations committee, management, the Board of Directors, 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.

Jim Petro
Auditor of State

November 16, 2001

**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, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$1,631,633	\$356,432	\$1,988,065
Charges for Services	1,424,055		1,424,055
Earnings on Investments	96,245		96,245
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	<u>3,151,933</u>	<u>356,432</u>	<u>3,508,365</u>
Cash Disbursements:			
Operating:			
Personal Services	949,689		949,689
Contractual Services	1,046,421		1,046,421
Intergovernmental Expenses		273,391	273,391
Supplies and Materials	48,144		48,144
Capital Outlay	159,582		159,582
Other	19,310		19,310
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	<u>2,223,146</u>	<u>273,391</u>	<u>2,496,537</u>
Total Receipts Over Disbursements	<u>928,787</u>	<u>83,041</u>	<u>1,011,828</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		24,078	24,078
Transfers-Out	(24,078)		(24,078)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	<u>(24,078)</u>	<u>24,078</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	904,709	107,119	1,011,828
Fund Cash Balances, July 1	<u>1,377,504</u>	<u>8,417</u>	<u>1,385,921</u>
Fund Cash Balances, June 30	<u>\$2,282,213</u>	<u>\$115,536</u>	<u>\$2,397,749</u>
Reserve for Encumbrances, June 30	<u>\$192,012</u>	<u>\$0</u>	<u>\$192,012</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, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$1,126,499	\$64,954	\$1,191,453
Charges for Services	1,115,692		1,115,692
Earnings on Investments	39,885		39,885
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	<u>2,282,076</u>	<u>64,954</u>	<u>2,347,030</u>
Cash Disbursements:			
Operating:			
Personal Services	927,929		927,929
Contractual Services	872,783		872,783
Intergovernmental Expenses		272,838	272,838
Supplies and Materials	91,758		91,758
Capital Outlay	241,924		241,924
Other	15,010		15,010
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	<u>2,149,404</u>	<u>272,838</u>	<u>2,422,242</u>
Total Receipts Over/(Under) Disbursements	132,672	(207,884)	(75,212)
Fund Cash Balances, July 1	<u>1,244,832</u>	<u>216,301</u>	<u>1,461,133</u>
Fund Cash Balances, June 30	<u><u>\$1,377,504</u></u>	<u><u>\$8,417</u></u>	<u><u>\$1,385,921</u></u>
Reserve for Encumbrances, June 30	<u><u>\$221,348</u></u>	<u><u>\$0</u></u>	<u><u>\$221,348</u></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, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Metropolitan Dayton Educational Cooperative Association, (the "Association"), is organized under Ohio Rev. Code Section 3313.92. The Association operates under a Board of Directors consisting of six members elected from a general assembly for three year 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 activity into the following types:

1. General Fund

The General Fund is the 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

The Special Revenue fund is used to account for the proceeds of a specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

1. Budget

Prior to the start of each fiscal year the Board of Directors approves a budget for the Association. 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 2001 and 2000 budgetary activity appears in Note 4.

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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation in certain circumstances, such as upon leaving employment. Unpaid vacation is not reflected as a liability under the basis of accounting used by the Association.

2. RETIREMENT SYSTEM

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 2001 and 2000, 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, 2001.

3. 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.

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001 AND 2000
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2001 and 2000 was as follows:

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$3,471,222	\$3,151,933	\$(319,289)
Special Revenue	<u>107,119</u>	<u>380,510</u>	<u>273,391</u>
Total	<u>\$3,578,341</u>	<u>\$3,532,443</u>	<u>\$(45,898)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$2,758,526	\$2,439,236	\$319,290
Special Revenue	<u>0</u>	<u>273,391</u>	<u>(273,391)</u>
Total	<u>\$2,758,526</u>	<u>\$2,712,627</u>	<u>\$ 45,899</u>

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$2,283,206	\$2,282,076	\$(1,130)
Special Revenue	<u>64,954</u>	<u>64,954</u>	<u>0</u>
Total	<u>\$2,348,160</u>	<u>\$2,347,030</u>	<u>\$(1,130)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$2,195,586	\$2,370,752	\$(175,166)
Special Revenue	<u>0</u>	<u>272,838</u>	<u>(272,838)</u>
Total	<u>\$2,195,586</u>	<u>\$2,643,590</u>	<u>\$(448,004)</u>

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

Metropolitan Dayton Educational Cooperative Association
Montgomery County
201 Riverside Drive
Dayton, Ohio 45405

To the Board of Directors:

We have audited the financial statements of the Metropolitan Dayton Educational Cooperative Association, (the Association), as of and for the years ended June 30, 2001 and 2000, and have issued our report thereon dated November 16, 2001. 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 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 November 16, 2001.

Metropolitan Dayton Educational Cooperative Association
Montgomery County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of the operations committee, management, and Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 16, 2001



STATE OF OHIO
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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 6, 2001**