



**Mary Taylor, CPA**  
Auditor of State



**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
MONTGOMERY COUNTY**

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# Mary Taylor, CPA

Auditor of State

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 adverse 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 "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 14, 2008

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**Mary Taylor, CPA**  
**Auditor of State**  
**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, 2007 and 2006. 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.

Instead of the funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Association's larger (i.e. major) funds separately. While the Association does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Association has elected not to follow GAAP statement formatting requirements. 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, 2007 and 2006 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, 2007 and 2006, 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 combined fund cash balances and reserve for encumbrances of the Metropolitan Dayton Educational Cooperative Association, as of June 30, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 14, 2008, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 14, 2008



**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, 2007**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental Revenue	\$849,774	\$771,775	\$1,621,549
Charges for Services	1,724,287		1,724,287
Earnings on Investments	124,919		124,919
Total Cash Receipts	<u>2,698,980</u>	<u>771,775</u>	<u>3,470,755</u>
<b>Cash Disbursements:</b>			
<b>Operating:</b>			
Personal Services	1,486,645		1,486,645
Contractual Services	896,696		896,696
Intergovernmental Expenses		544,756	544,756
Supplies and Materials	61,024		61,024
Capital Outlay	198,323		198,323
Other	21,389		21,389
Total Cash Disbursements	<u>2,664,077</u>	<u>544,756</u>	<u>3,208,833</u>
Total Receipts Over Disbursements	<u>34,903</u>	<u>227,019</u>	<u>261,922</u>
Fund Cash Balances, July 1	<u>2,517,626</u>	<u>35,800</u>	<u>2,553,426</u>
Fund Cash Balances, June 30	<u>\$2,552,529</u>	<u>\$262,819</u>	<u>\$2,815,348</u>
Reserve for Encumbrances, June 30	<u>\$350,281</u>	<u>\$0</u>	<u>\$350,281</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, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Intergovernmental Revenue	\$760,046	\$264,800	\$1,024,846
Charges for Services	1,719,514		1,719,514
Earnings on Investments	81,946		81,946
Total Cash Receipts	<u>2,561,506</u>	<u>264,800</u>	<u>2,826,306</u>
<b>Cash Disbursements:</b>			
Operating:			
Personal Services	1,314,023		1,314,023
Contractual Services	651,626		651,626
Intergovernmental Expenses		500,346	500,346
Supplies and Materials	40,841		40,841
Capital Outlay	102,474		102,474
Other	24,703		24,703
Total Cash Disbursements	<u>2,133,667</u>	<u>500,346</u>	<u>2,634,013</u>
Total Receipts Over/(Under) Disbursements	<u>427,839</u>	<u>(235,546)</u>	<u>192,293</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Loan Repayment	(23,420)		(23,420)
Transfers-In	826	48,187	49,013
Transfers-Out	(48,187)	(826)	(49,013)
Total Other Financing Receipts/(Disbursements)	<u>(70,781)</u>	<u>47,361</u>	<u>(23,420)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	357,058	(188,185)	168,873
Fund Cash Balances, July 1	<u>2,160,568</u>	<u>223,985</u>	<u>2,384,553</u>
Fund Cash Balances, June 30	<u>\$2,517,626</u>	<u>\$35,800</u>	<u>\$2,553,426</u>
Reserve for Encumbrances, June 30	<u>\$325,143</u>	<u>\$0</u>	<u>\$325,143</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, 2007 AND 2006**

**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 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 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, 2007 AND 2006  
(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 2007 and 2006 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, 2007 and 2006 follows:

<b>2007 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$2,270,326	\$2,698,980	\$428,654
	\$2,270,326	\$2,698,980	\$428,654

<b>2007 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$3,421,245	\$2,664,077	\$757,168
	\$3,421,245	\$2,664,077	\$757,168

<b>2006 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$2,073,658	\$2,562,332	\$488,674
	\$2,073,658	\$2,562,332	\$488,674

<b>2006 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$3,028,494	\$2,205,274	\$823,220
	\$3,028,494	\$2,205,274	\$823,220

The Board approved a budget only for the General Fund for fiscal years 2007 and 2006.

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006  
(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 2007 and 2006, members of SERS contributed 10% 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, 2007.

**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 \$23,420 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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# Mary Taylor, CPA

Auditor of State

## 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, OH 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 then ended June 30, 2007 and 2006, and have issued our report thereon dated April 14, 2008 wherein we noted the Association prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Association's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Association's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Association's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Association's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the Association's management in a separate letter dated April 14, 2008.

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)

### **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*.

We intend this report solely for the information and use of management and the Board of Directors. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 14, 2008





Mary Taylor, CPA  
Auditor of State

**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 6, 2008**