



Dave Yost • Auditor of State



**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of the Metropolitan Dayton Educational Cooperative Association, Montgomery County, (the Association) as of and for the years ended June 30, 2015 and 2014.

### ***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, 2015 and 2014, 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 the Metropolitan Dayton Educational Cooperative Association, Montgomery County as of June 30, 2015 and 2014, 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 January 5, 2016, 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

January 5, 2016

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
GOVERNMENTAL FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>General</b>
<b>Cash Receipts:</b>	
Intergovernmental Revenue	\$460,236
Charges for Services	2,598,170
Earnings on Investments	2,236
Total Cash Receipts	3,060,642
<b>Cash Disbursements:</b>	
<b>Operating:</b>	
Personal Services	1,767,742
Contractual Services	443,016
Supplies and Materials	651,186
Capital Outlay	198,362
Other	24,579
Total Cash Disbursements	3,084,885
Total Receipts Over/(Under) Disbursements	(24,243)
Fund Cash Balances, July 1	2,000,321
Assigned	94,431
Unassigned	1,881,647
Fund Cash Balances, June 30	\$1,976,078

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

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
GOVERNMENTAL FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>General</b>
<b>Cash Receipts:</b>	
Intergovernmental Revenue	\$458,791
Charges for Services	2,477,297
Earnings on Investments	2,297
Total Cash Receipts	2,938,385
<b>Cash Disbursements:</b>	
<b>Operating:</b>	
Personnel Services	1,756,661
Contractual Services	386,120
Supplies and Materials	597,905
Capital Outlay	213,798
Other	29,216
Total Cash Disbursements	2,983,700
Total Receipts Over/(Under) Disbursements	(45,315)
Fund Cash Balances, July 1	2,045,636
Assigned	182,645
Unassigned	1,817,676
Fund Cash Balances, June 30	\$2,000,321

*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, 2015 AND 2014**

**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 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 over 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. Accounting Basis**

These financial statements follow the accounting basis 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. Deposits 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 cash is 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 fund into the following fund type:

**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.

**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 expended by the Association during the fiscal year.

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(Continued)**

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

**2. Encumbrances**

The Association reserves (encumbers) 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 2015 and 2014 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.

**H. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Association must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Non-spendable**

The Association classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

The Board of Directors can *commit* amounts via formal action (resolution). The Association must adhere to these commitments unless the Board of Directors amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board of Directors or an Association official delegated that authority by resolution, or by State Statute.

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(Continued)**

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

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Association applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**2. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2015 and 2014 follows:

**2015 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$3,501,616	\$3,060,642	(\$440,974)

**2015 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$3,666,124	\$3,179,316	\$486,808

**2014 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$3,401,646	\$2,938,385	(\$463,261)

**2014 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$3,554,319	\$3,166,345	\$387,974

**3. RETIREMENT SYSTEM**

The Association's 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 2015 and 2014, 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, 2015.

**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014  
(Continued)**

**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. SUBSEQUENT EVENT**

On December 18, 2015, the Association's Board of Directors adopted a resolution to approve a merger of the Association with META Solutions effective January 1, 2016. The Association will continue to exist as a separate legal entity for a limited period of time after January 1, 2016. Upon full execution of the merger agreement, the Association will be dissolved as of a date yet-to-be-determined by the Association's Board of Directors.



# 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*

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

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 cash balances, receipts, and disbursements by fund type of the Metropolitan Dayton Educational Cooperative Association, Montgomery County, (the Association) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated January 5, 2016 wherein we noted the Association followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 opinions 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***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 Association'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, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 5, 2016



# Dave Yost • 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  
FEBRUARY 18, 2016**