



**METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION
MONTGOMERY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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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, Montgomery County, Ohio, (the Association) as of and for the years ended June 30, 1999 and 1998. 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 generally accepted auditing standards 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 fund cash balances and reserves for encumbrances of the Association as of June 30, 1999 and 1998, 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 January 7, 2000, 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.

This report is intended solely for the information and use of the management and 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

January 7, 2000

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Charges for Services	\$968,782	\$0	\$968,782
Intergovernmental	965,414	216,301	1,181,715
Earnings on Investments	51,266	0	51,266
Miscellaneous Receipts	911	0	911
	<u>1,986,373</u>	<u>216,301</u>	<u>2,202,674</u>
Disbursements:			
Personal Services	784,486	0	784,486
Contractual Services	839,607	0	839,607
Supplies and Materials	68,433	0	68,433
Capital Outlay	70,097	0	70,097
Other	18,610	0	18,610
	<u>1,781,233</u>	<u>0</u>	<u>1,781,233</u>
Excess of Revenues Over (Under) Disbursements	<u>205,140</u>	<u>216,301</u>	<u>421,441</u>
Fund Cash Balances, July 1	<u>1,039,692</u>	<u>0</u>	<u>1,039,692</u>
Fund Cash Balances, June 30	<u>\$1,244,832</u>	<u>\$216,301</u>	<u>\$1,461,133</u>
Reserves for Encumbrances, June 30	<u>\$176,296</u>	<u>\$0</u>	<u>\$176,296</u>

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
AND CHANGES IN FUND CASH BALANCE
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1998**

	Governmental Fund Type
	General
Receipts:	
Charges for Services	\$825,169
Intergovernmental	941,969
Earnings on Investments	54,633
	1,821,771
Total Receipts	1,821,771
Disbursements:	
Personal Services	752,039
Contractual Services	782,882
Supplies and Materials	49,319
Capital Outlay	464,715
Other	11,277
	2,060,232
Total Disbursements	2,060,232
Excess of Revenues Over (Under) Disbursements	(238,461)
Fund Cash Balance, July 1	1,278,153
Fund Cash Balance, June 30	\$1,039,692
Reserves for Encumbrances, June 30	\$81,575

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998

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-three schools in Darke, Greene, Miami, and Montgomery counties.

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. 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 reappropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 2.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 fund type:

General Fund - The general fund is the operating fund of the Association and is used to account for all 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.

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

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay 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 and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Association.

2. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 1999 and 1998 was as follows:

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,820,000	\$1,986,373	\$166,373
Special Revenue	<u>216,301</u>	<u>216,301</u>	<u>0</u>
Total	<u>\$2,036,301</u>	<u>\$2,202,674</u>	<u>\$166,373</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

2. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$2,220,734	\$1,781,233	\$439,501
Special Revenue	<u>216,301</u>	<u>0</u>	<u>216,301</u>
Total	<u>\$2,437,035</u>	<u>\$1,781,233</u>	<u>\$655,802</u>

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	<u>\$1,821,771</u>	<u>\$1,821,771</u>	<u>\$0</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	<u>\$2,088,515</u>	<u>\$2,060,232</u>	<u>\$282,823</u>

3. 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 1999 and 1998, 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, 1999.

4. RISK MANAGEMENT

The Center has obtained commercial insurance, which includes coverage for the Association, for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

4. RISK MANAGEMENT (Continued)

The Center also provides health insurance and dental and vision coverage to full-time employees of the Association through a private carrier.

5. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Association's operations as early as fiscal year 1999.

The Metropolitan Dayton Educational Cooperative Association has completed an inventory of computer systems and other equipment necessary to conducting the Association's operations. The Association uses Ohio Education Computer Network (OECN) State Software for their budgetary, payroll, and education management information system (EMIS). OECN has undergone the task of remediating, testing and validating the aforementioned software packages to be 2000 compliant according to the following schedule:

<u>Software Program</u>	<u>Version</u>	<u>Available</u>
Payroll	USPS V4.0	September, 1997
Budgetary	USAS V6.1	June, 1998
EMIS	EMIS V1.7	September, 1998

No costs are imposed to the Association as a result of the program modifications.

The State of Ohio distributes a substantial sum of money to the Association in the form of grant payments. Further, the State processes a significant amount of financial and nonfinancial information about the Association through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems and is solely responsible for any costs associated with the grant processing and EMIS systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Association is or will be Year 2000 ready, that the Association's remediation efforts will be successful in whole or in part, or that parties with whom the Association does business will be year 2000 ready.



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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 accompanying financial statements of the Metropolitan Dayton Educational Cooperative Association, Montgomery County, Ohio (the Association), as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated January 7, 2000. We conducted our audit in accordance with generally accepted auditing standards 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.

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 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

January 7, 2000



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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
JANUARY 25, 2000**