



**Auditor of State
Betty Montgomery**

**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Metropolitan Educational Council
Franklin County
2100 Citygate Drive
Columbus, Ohio 43219

To the Governing Board Members:

We have audited the accompanying financial statements of the Metropolitan Educational Council, Franklin County, Ohio, (the Council) as of and for the years ended June 30, 2003, and June 30, 2002. These financial statements are the responsibility of the Council'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 Council 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 Council as of June 30, 2003, and June 30, 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 20, 2003, on our consideration of the Council'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 Governing 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 20, 2003

**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN 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:			
Earnings on Investments	\$24,484	\$0	\$24,484
Intergovernmental Receipts	0	1,105,152	1,105,152
Membership Dues	121,913	0	121,913
Administrative Fees	231,279	0	231,279
Miscellaneous	100,694	0	100,694
	<u>478,370</u>	<u>1,105,152</u>	<u>1,583,522</u>
Total Cash Receipts			
Cash Disbursements:			
Personal Services	262,778	0	262,778
Purchased Services	162,182	115,347	277,529
Supplies and Materials	6,832	5,113	11,945
Miscellaneous	3,661	802,862	806,523
Capital Outlay	842,681	61,879	904,560
Total Cash Disbursements	<u>1,278,134</u>	<u>985,201</u>	<u>2,263,335</u>
Total Receipts Over/(Under) Disbursements	<u>(799,764)</u>	<u>119,951</u>	<u>(679,813)</u>
Other Financing Receipts:			
Transfers-In	252,000		252,000
Total Other Financing Receipts	<u>252,000</u>	<u>0</u>	<u>252,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(547,764)</u>	<u>119,951</u>	<u>(427,813)</u>
Fund Cash Balances, July 1	<u>1,040,048</u>	<u>0</u>	<u>1,040,048</u>
Fund Cash Balances, June 30	<u>\$492,284</u>	<u>\$119,951</u>	<u>\$612,235</u>
Reserves for Encumbrances, June 30	<u><u>\$2,944</u></u>	<u><u>\$107,896</u></u>	<u><u>\$110,840</u></u>

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

**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Internal Service
Operating Cash Receipts:	
Charges for Services:	
Computer Services	\$3,231,391
Insurance	5,827,395
Self-help Gas Program	12,343,420
Miscellaneous	12,790
Total Operating Cash Receipts	21,414,996
Operating Cash Disbursements:	
Personal Services	1,147,512
Contractual Services	20,791,414
Supplies and Materials	161,340
Miscellaneous	51,822
Capital Outlay	733,003
Total Operating Cash Disbursements	22,885,091
Operating Loss	(1,470,095)
Non-Operating Cash Receipts:	
Earnings on Investments	46,836
Intergovernmental Receipts	1,292,428
Local Sources - Equipment and Maintenance	58,229
Total Non-Operating Cash Receipts	1,397,493
Non-Operating Cash Disbursements:	
Miscellaneous	183,288
Total Non-Operating Cash Disbursements	183,288
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(255,890)
Transfers-Out	(252,000)
Net Receipts (Under) Disbursements	(507,890)
Fund Cash Balances, July 1	3,325,716
Fund Cash Balances, June 30	\$2,817,826
Reserve for Encumbrances, June 30	\$302,575

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

**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Earnings on Investments	\$37,520	\$0	\$37,520
Intergovernmental Receipts	0	706,142	706,142
Membership Dues	121,877	0	121,877
Administrative Fees	167,003	0	167,003
Miscellaneous Receipts	<u>26,365</u>	<u>0</u>	<u>26,365</u>
Total Cash Receipts	<u>352,765</u>	<u>706,142</u>	<u>1,058,907</u>
Cash Disbursements:			
Personal Services	247,958	0	247,958
Purchased Services	77,490	10,086	87,576
Supplies and Materials	5,980	13,788	19,768
Miscellaneous	9,681	699,817	709,498
Capital Outlay	<u>3,276</u>	<u>7,674</u>	<u>10,950</u>
Total Cash Disbursements	<u>344,385</u>	<u>731,365</u>	<u>1,075,750</u>
Total Receipts Over/(Under) Disbursements	8,380	(25,223)	(16,843)
Fund Cash Balances, July 1	<u>1,031,668</u>	<u>25,223</u>	<u>1,056,891</u>
Fund Cash Balances, June 30	<u>\$1,040,048</u>	<u>\$0</u>	<u>\$1,040,048</u>
Reserves for Encumbrances, June 30	<u>\$14,425</u>	<u>\$0</u>	<u>\$14,425</u>

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

**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2002**

	Internal Service
Operating Cash Receipts:	
Charges for Services:	
Computer Services	\$2,810,416
Insurance	4,679,348
Self-help Gas Program	4,738,042
Miscellaneous	18,869
Total Operating Cash Receipts	12,246,675
Operating Cash Disbursements:	
Personal Services	1,018,912
Purchased Services	12,264,982
Supplies and Materials	157,812
Miscellaneous	416,031
Capital Outlay	175,665
Total Operating Cash Disbursements	14,033,402
Operating (Loss)	(1,786,727)
Non-Operating Cash Receipts:	
Earnings on Investments	76,689
Intergovernmental Receipts	1,861,449
Local Sources - Equipment and Maintenance	92,225
Miscellaneous	59,430
Total Non-Operating Cash Receipts	2,089,793
Non-Operating Cash Disbursements:	
Miscellaneous	163,282
Total Non-Operating Cash Disbursements	163,282
Net Receipts Over Disbursements	139,784
Fund Cash Balances, July 1	3,185,932
Fund Cash Balances, June 30	\$3,325,716
Reserve for Encumbrances, June 30	\$1,031,927

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

**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Metropolitan Educational Council, Franklin County, Ohio, (the Council) is a not-for-profit regional council of governments established under Chapter 167 of the Ohio Revised Code. The regional council of governments is directed by a twenty-six member Governing Board. The regional council of governments provides educational services to the youth and adults in Franklin County and surrounding areas by the cooperative action of the membership.

The Council's management believes these financial statements present all activities for which the Council 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

Repurchase agreements are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at share values reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Council uses fund accounting to segregate cash and investments that are restricted as to use. The Council classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts) that are restricted to expenditure for specific purposes. The Council had the following significant Special Revenue Fund:

**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

FCC E-Rate Grant Fund – The Federal Communications Commission (FCC) adopted a universal service order to implement the Telecommunications Act of 1996. This fund receives monies in accordance with that Act.

3. Internal Service Funds

These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis. The Council had the following significant Internal Service Funds:

Data Processing Fund – This fund receives charges for services from members to cover the costs of providing data processing services.

Self-Help Gas Program – This fund receives monies for utility services provided by Enron (October 2002) now Energy USA-TPC. Collections are then remitted to Energy USA on a monthly basis.

Insurance Fund – This fund receives monies for insurance services by various providers. Collections are then remitted to the appropriate provider on a monthly basis.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control. The Governing Board annually adopts appropriation measures and subsequent amendments.

2. Encumbrances

The Ohio Revised Code requires the Council to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

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.

**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, employees are entitled to cash payments for unused vacation and sick leave, such as upon leaving employment. Unpaid leave is not reflected as a liability under the basis of accounting used by the Council.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Council maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

	2003	2002
Demand deposits	\$94,957	(\$102,637)
Total deposits	94,957	(102,637)
STAR Ohio	2,123,384	3,080,617
Repurchase agreement	1,211,720	1,387,784
Total investments	3,335,104	4,468,401
Total deposits and investments	\$3,430,061	\$4,365,764

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. The negative \$102,637 demand deposit for 2002 is due to movement of monies from the regular bank account to the repurchase account.

Investments: The Council invests with STAR Ohio, the State Treasurer's investment pool, and a repurchase agreement. Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form. The repurchase agreement is pledged by specific collateral.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2003 and June 30, 2002 follows:

Fund Type	2003 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$397,917	\$730,370	\$332,453
Special Revenue	1,136,757	1,105,152	(31,605)
Internal Service	23,971,200	22,812,489	(1,158,711)
Total	\$25,505,874	\$24,648,011	(\$857,863)

**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN COUNTY**

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

3. BUDGETARY ACTIVITY (continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,713,560	\$1,281,078	\$432,482
Special Revenue	1,136,757	1,093,097	43,660
Internal Service	26,722,627	23,622,954	3,099,673
Total	<u>\$29,572,944</u>	<u>\$25,997,129</u>	<u>\$3,575,815</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$488,000	\$352,765	(\$135,235)
Special Revenue	806,326	706,142	(100,184)
Internal Service	20,131,100	14,336,468	(5,794,632)
Total	<u>\$21,425,426</u>	<u>\$15,395,375</u>	<u>(\$6,030,051)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,424,248	\$358,810	\$1,065,438
Special Revenue	831,548	731,365	100,183
Internal Service	22,905,333	15,228,611	7,676,722
Total	<u>\$25,161,129</u>	<u>\$16,318,786</u>	<u>\$8,842,343</u>

4. RETIREMENT SYSTEM

The Council contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad Street., Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN COUNTY**

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

4. RETIREMENT SYSTEM (Continued)

Plan members are required to contribute 9% of their annual covered salary and the Council is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. However, as an employee benefit, the Council has contributed the employee share, for a total contribution of 23% of employee wages. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Council's contributions to SERS for the years ended June 30, 2003, 2002, and 2001 were \$240,763, \$217,385, and \$204,328, respectively, equal to the required contributions for each year. Council has paid all contributions required through June 30, 2003.

5. RISK MANAGEMENT

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.
- Building and its contents

The Council obtained building insurance which increased its coverage amounts from the prior year due to the purchase of a building and its contents.

The Council also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

6. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. In the opinion of management, any adjustments by the grantor would not have a material effect on the financial statements.

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**Auditor of State
Betty Montgomery**

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

Metropolitan Educational Council
Franklin County
2100 Citygate Drive
Columbus, Ohio 43219

To the Governing Board Members:

We have audited the accompanying financial statements of Metropolitan Education Council, Franklin County, Ohio, (the Council), as of and for the years ended June 30, 2003, and June 30, 2002, and have issued our report thereon dated October 20, 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 Council'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 Council'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 one matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Council in a separate letter dated October 20, 2003.

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This report is intended solely for the information and use of the audit committee, management, and the Governing Board, 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 20, 2003



**Auditor of State
Betty Montgomery**

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METROPOLITAN EDUCATIONAL COUNCIL

FRANKLIN 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 4, 2003**