METROPOLITAN EDUCATIONAL COUNCIL

LIABILITY, FLEET & PROPERTY PROGRAM

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

JUNE 30, 2007 AND 2006

Mary Taylor, CPA
Auditor of State

Council Committee
Metropolitan Educational Council Liability,
Fleet and Property Program
2100 Citygate Drive
Columbus, Ohio 43219

We have reviewed the *Independent Auditors' Report* of the Metropolitan Educational Council Liability, Fleet and Property Program, Franklin County, prepared by Gilmore, Jasion & Mahler, LTD, for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Metropolitan Educational Council Liability, Fleet and Property Program is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 17, 2008

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GILMORE, JASION & MAHLER, LTD

INDEPENDENT AUDITORS' REPORT

Committee Members
Metropolitan Educational Council
Liability, Fleet and Property Program
Columbus, Ohio

We have audited the accompanying financial statements of the Metropolitan Educational Council Liability, Fleet and Property Program (the Program) of the Metropolitan Educational Council as of and for the years ended June 30, 2007 and 2006 as listed in the table of contents. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the financial statements of the Program are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the Metropolitan Educational Council that is attributable to the transactions of the Program. They do not purport to, and do not, present fairly the financial position of the Metropolitan Educational Council as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above fairly present, in all material respects, the respective financial position of the business-type activities of the Metropolitan Educational Council Liability, Fleet and Property Program as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kevin M. Gilmore, CPA, CVA
Adele M. Jasion, CPA
Andrew L. Mahler, CPA, CVA, CFFA
J. Stephen Schult, CPA
Philip J. Newlove, CPA
Linda J. Hillstrom, CPA
Debra S. Gossman, CPA
Charles F. Heid, CPA

1715 Indian Wood Circle, Suite 100
Maumee, Ohio 43537-4055
419.794.2000 Fax: 419.794.2090

As discussed in Note 7 to the financial statements, the Governing Board of the Metropolitan Educational Council voted to terminate the Program effective June 30, 2007 due to insufficient participation. As the Program will remain in operations until all remaining claims are paid out, the accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 3, 2007, on our consideration of the Program'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards,* and should be considered in assessing the results of our audits.

The management's discussion and analysis and required supplementary information on page 17 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consistent principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Gilmore, Jasion & Mahler, LTD

December 3, 2007

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007 (UNAUDITED)

The discussion and analysis of the Metropolitan Educational Council Liability, Fleet and Property Program's (MEC LFP Program) performance provides an overview of MEC LFP Program's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at MEC LFP Program's financial performance as a whole.

HIGHLIGHTS

At June 30, 2007 MEC LFP Program's net assets increased $19,851, total assets increased by $8,777 while total liabilities decreased by $11,074.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand MEC LFP Program's financial position.

The Balance Sheets and Statements of Revenues, Expenses and Changes in Net Assets provide information about the activity of MEC LFP Program as a whole. All MEC LFP Program transactions are accounted for in a single enterprise fund

DESCRIPTION OF FINANCIAL STATEMENTS

The Balance Sheets and Statement of Revenues, Expenses and Changes in Net Assets reflect how MEC LFP Program did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report MEC LFP Program's net assets and changes in net assets. This change in net assets is important because it tells the reader whether the financial position of MEC LFP Program has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not.

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007
(UNAUDITED)

FINANCIAL ANALYSIS

As previously noted, total assets increased by $8,777 or 1.5% at June 30, 2007. Cash and cash equivalents decreased $122,503, while advances to third party administrator increased by $14,226. Reimbursement claims receivable increased $117,054 due to stop loss coverage being met. On the liability side, total liabilities decreased by $11,074 or 2% in fiscal year 2007. Loss reserves decreased by $12,211 and accrued professional fees increased by $1,137 in fiscal year 2007. Total revenues were up $59,022 while total expenses were up $96,168. Ending net assets were $97,817 at June 30, 2007 compared to $77,966 at June 30, 2006. MEC LFP Program was able to offset the decrease in member contributions with the claims reimbursement revenue received from third party. The decrease in member contributions of $320,915 had a negative impact on the financial condition of MEC LFP Program.

As shown in the accompanying financial statements, the Program incurred a decrease in member contributions of $320,915 during the year ended June 30, 2007. The Metropolitan Educational Society Program Committee determined under Section 10.3 of the Agreement for the Metropolitan Educational Council Liability Fleet and Property Program that there will be insufficient participation for fiscal year 2008 to adequately fund the Loss Reserves and pay other program expenses. The Metropolitan Educational Council's Governing Board terminated the Program effective June 30, 2007. See Note 7 to the financial statements for additional information.

Table 1 provides a summary of MEC LFP Program's Balance Sheets and Statements of Revenues, Expenses and Changes in Net Assets as of June 30, 2007 and 2006:

	2007	2006
Total assets	$ 587,649	$ 578,872
Total liabilities	489,832	500,906
Total net assets (unrestricted)	$ 97,817	$ 77,966
Total revenues	$ 1,690,082	$ 1,621,100
Total expenses	1,670,231	1,574,063
Net change in net assets	19,851	47,037
Net assets at beginning of year	77,966	30,929
Net assets at end of year	$ 97,817	$ 77,966

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007
(UNAUDITED)

BUDGETARY HIGHLIGHTS

MEC LFP Program does not draft or approve a budget in the tradition of most government agencies. The insurance adjuster reviews MEC LFP Program's prior claims history and helps MEC LFP Program set billing rates for its twenty members for the following year. This process is completed in May of each year. If the rates are set too high, and/or the claims are overestimated, MEC LFP Program will have an increase in net assets. If the rates are set too low, and/or the claims are underestimated, MEC LFP Program will have a decrease in net assets.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of MEC LFP Program's finances for all those interested in MEC LFP Program's well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Elmo Kallner, Metropolitan Educational Council, 2100 Citygate Drive, Columbus, Ohio 43219.

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
BALANCE SHEETS
June 30, 2007 and 2006

	2007	2006
ASSETS		
Cash and cash equivalents	$ 438,660	$ 561,163
Reimbursement claims receivable	117,054	0
Advances to third party administrator	31,935	17,709
Total assets	$ 587,649	$ 578,872
LIABILITIES AND NET ASSETS		
Liabilities		
Loss reserves (Note 4)	$ 467,695	$ 479,906
Accrued professional fees	22,137	21,000
Total liabilities	489,832	500,906
Net assets	97,817	77,966
Total liabilities and net assets	$ 587,649	$ 578,872

The accompanying notes are an integral part of these financial statements.

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
For the Years Ended June 30, 2007 and 2006

	2007	2006
Operating revenues		
Member contributions	$ 1,279,525	$ 1,600,440
Claims reimbursement revenue	379,937	0
Total operating revenues	1,659,462	1,600,440
Operating expenses		
Excess insurance premiums	779,017	891,694
Loss and loss adjustment expense	829,340	505,510
Program administrator fees	11,036	115,275
Claim processing fees and expenses	27,500	39,750
Professional fees	14,011	11,000
Management fees to Metropolitan Educational Council	9,327	10,064
Bank charges	0	770
Total operating expenses	1,670,231	1,574,063
Operating income (loss)	(10,769)	26,377
Non-operating revenue		
Interest income	30,620	20,660
Change in net assets	19,851	47,037
Net assets		
Beginning of year	77,966	30,929
End of year	$ 97,817	$ 77,966

The accompanying notes are an integral part of these financial statements.

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Cash received from members	$ 1,279,525	$ 1,600,440
Cash received from insurance reimbursements	379,937	0
Cash paid to vendors and others	1,812,585	1,369,022
Net cash provided by (used in) operating activities	(153,123)	231,418
Cash flows from investing activities		
Interest received on cash and cash equivalents	30,620	20,660
Net cash provided by investing activities	30,620	20,660
Net increase (decrease) in cash and cash equivalents	(122,503)	252,078
Cash and cash equivalents, beginning of year	561,163	309,085
Cash and cash equivalents, end of year	$ 438,660	$ 561,163
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	$ (10,769)	$ 26,377
Changes in operating assets and liabilities:		
Advances to third party administrator	(14,226)	(7,994)
Reimbursement claims receivable	(117,054)	0
Loss reserves	(12,211)	226,321
Due to Metropolitan Educational Council	0	(23,786)
Accrued professional fees	1,137	10,500
Net cash provided by (used in) operating activities	$ (153,123)	$ 231,418

The accompanying notes are an integral part of these financial statements.

Note 1–Description of the organization

The Metropolitan Educational Council, Franklin County, Ohio, (MEC) 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-nine 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 Metropolitan Educational Council Liability, Fleet and Property Program (MEC LFP Program) was organized in 2004 as authorized by Section 2744.081 of the Ohio Revised Code. Pursuant to Section 2744.081 of the Ohio Revised Code, the MEC LFP Program is a Committee of the MEC, a consortium of school districts and related agencies formed for the public purpose of enabling its members to obtain self-insurance through a jointly administered self-insurance fund. Members of the MEC LFP Program are school districts located in the State of Ohio which are eligible to participate under applicable statute, ruling or law subject to certain underwriting standards as deemed appropriate by the MEC LFP Program and its administrator.

The MEC LFP Program was established to provide property, general liability, school leader's errors and omissions, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its members. Coverage programs are developed specific to each member's risk management needs and the related premiums for coverage and administrative costs are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. The MEC LFP Program has agreed to pay judgments, settlements and other expenses resulting from claims arising related to the coverage provided in excess of the member's deductible.

The MEC LFP Program has chosen to adopt the forms and endorsements of conventional insurance coverage and to purchase specific and aggregate stop loss insurance in excess of a given retention to pay individual and collective losses. Therefore, the individual members are only responsible for their self-insured retention (deductible) amounts that may vary from member to member. See Note 6 for further explanation.

The MEC LFP Program retains the first $100,000 of each loss for general liability, automobile, crime and surety and property claims. Each Member has a maintenance deductible of $1,000 for property, automobile physical damage and crime claims. Stop loss insurance is purchased for the MEC LFP Program and is fully funded by Member contributions. The Stop loss coverage for the year ended June 30, 2007 and 2006 was for claims in excess of $444,401 and $500,289, respectively. Coverage for boiler & machinery and school leaders' errors & omissions are purchased outside of the MEC LFP Program's retention program.

Note 1–Description of the organization-continued

In fiscal year 2006 the MEC LFP Program had an agreement with Marsh USA to provide marketing, excess insurance placement, and support services for the group. In fiscal year 2007 the agreement with Marsh USA was amended to reflect their new role as the client's risk management advisor and consultant. Specialty Claims provides claims adjusting and administrative services to the MEC LFP Program. See Note 2 for further discussion.

The MEC LFP Program served the insurance purchasing needs of 20 and 24 public school districts during the years ended June 30, 2007 and 2006, respectively. Due to the continued decline in participants, the Program was terminated by the Governing Council effective June 30, 2007.

The MEC LFP Program is comprised exclusively of Ohio educational subdivisions. Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of purchasing excess and stop-loss insurance coverage. See Note 6 for further discussion.

Note 2–Summary of significant accounting policies

Basis of accounting

The financial statements are prepared on the accrual basis of accounting whereby revenues are accounted for as earned and expenses as incurred. All transactions are accounted for in a single enterprise fund.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the Council follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles, Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict or contradict GASB pronouncements. The Program also has the option to apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Program has elected to apply these FASB Statements and Interpretations.

The Program follows the provisions of Government Accounting Standards Board (GASB) Statement No. 10, "Accounting and Reporting for Risk Financing and Related Insurance Issues" and GASB Statement No. 30, "Risk Financing Omnibus, An Amendment of GASB 10," as applicable.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Note 2–Summary of significant accounting policies-continued

Cash and cash equivalents

For cash flow purposes, the MEC LFP Program considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Loss reserves

The MEC LFP Program has not established claims liabilities on reinsured risks except for those that it determined are liabilities which are not covered by excess insurers as further discussed in Note 6. For those risks, the MEC LFP Program has established claims liabilities that are based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled ("case" reserves) and of claims that have been incurred but not reported ("IBNR" reserves), net of estimated salvage and subrogation. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual and industry data that reflects past inflation and on other factors and are considered to be appropriate modifiers of past experience. See Notes 3 and 4 for further discussion.

The methods of making such estimates and establishing the ultimate liability for losses and loss adjustment expenses are reviewed regularly. Management believes that the estimates of the ultimate liability for losses and loss adjustment expenses as of June 30, 2007 and 2006 are reasonable and reflective of anticipated ultimate experience. However, it is possible that the MEC LFP Program's actual incurred losses and loss adjustment expenses will not conform to the assumptions inherent in the determination of the liability. Accordingly, it is reasonably possible that the ultimate settlement of losses and the related loss adjustment expenses may vary significantly from the estimated amounts included in the accompanying financial statements.

Note 3–Deposits

The Program has designated Fifth Third Bank for the deposit of funds. The MEC LFP Program's cash and cash equivalents are primarily subject to custodial credit risk, as further explained below.

Custodial credit risk is the risk that in the event of bank failure, MEC LFP Program's deposits may not be returned to it. Protection of MEC LFP Program's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of MEC LFP funds shall be required to pledge as security for repayment of all public moneys.

At June 30, 2007, the carrying value of the MEC LFP Program's deposits was $438,660 and the bank balance was $438,625. Of the bank balance, $100,000 was covered by the Federal Depository Insurance Corporation and $338,625 was uninsured and collateralized by securities held by the pledging institution's trust department, not in the MEC LFP Program's name.

Note 4–Loss reserves

The net balance of unpaid losses and loss adjustment expense reserves at June 30, 2007 and 2006 represent the MEC LFP Program's estimate of the ultimate cost of loss and loss adjustment expenses that have been reported but not settled and that have been incurred but not reported, net of estimated salvage and subrogation. The activity in the losses and loss adjustment expense reserves is summarized as follows:

	2007	2006
Unpaid claims and claim adjustment expense at beginning of year	$ 479,906	$ 253,585
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	334,683	182,809
Increases in provision for insured events of prior years	432,618	330,855
Total incurred claims and claim adjustment expenses	767,301	513,664
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	(417,474)	(152,875)
Claims and claim adjustment expenses attributable to insured events of prior years	(362,038)	(134,468)
Total payments	(779,512)	(287,343)
Total unpaid claims and claim adjustment expenses at end of year	$ 467,695	$ 479,906

The actuarial determination of the unpaid losses and loss adjustment expense reserves was prepared by Mercer Oliver Wyman Actuarial Consulting, Inc. (Mercer). Mercer is owned by the same holding company that owns Marsh USA, the consultant. See Note 1 for further discussion.

Note 5–Member Withdrawal

Five member school districts withdrew from the Program prior to the beginning of fiscal year 2007, therefore they did not incur any penalties. One member school district withdrew from the MEC LFP Program during the year ended June 30, 2006. In accordance with this agreement, the withdrawing member paid a net penalty of $13,711. Upon withdrawal, the member becomes responsible for claims which occur on or after the withdrawal date.

Note 6–Excess Insurance

Excess insurance coverages provided by the MEC LFP Program above the $100,000 retention per loss are $250,000,000 for any one property loss, $4,000,000 in the aggregate for flood and earthquake losses and $5,000,000 in 2007 and $6,000,000 in 2006 for any one occurrence and policy aggregate per member for liability losses. In the event the aggregate of all losses exceeds the Stop Loss calculation for the fiscal year, excess insurance is purchased to cover the first $100,000 of any additional covered loss.

In the event that any of the excess insurance companies are unable to meet their obligations under the existing excess insurance agreements, the MEC LFP Program would be liable for such defaulted amounts. The MEC LFP Program evaluates the financial condition of its excess insurers and monitors the concentrations of credit risk to minimize its exposure to significant losses from insurer insolvencies.

Premiums of $779,017 and $891,694 were paid to excess insurers for the years ended June 30, 2007 and 2006, respectively.

Note 7–Program Curtailment

The Metropolitan Educational Society Program Committee determined under Section 10.3 of the Agreement for the Metropolitan Educational Council Liability Fleet and Property Program that there will be insufficient participation for fiscal year 2008 and accordingly, terminated the Program effective June 30, 2007. The Program will remain in operations until all remaining claims are run out, at which point the remaining reserves will be returned to the districts currently participating in the program.

SUPPLEMENTARY INFORMATION

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
CLAIMS DEVELOPMENT INFORMATION
For the Years Ended June 30, 2007, 2006, and 2005

	Fiscal Year and Policy Years Ended		
	2007	2006	2005
Required contribution and investment revenue:			
Earned	$ 1,310,145	$ 1,626,817	$ 1,641,165
Ceded	779,017	1,039,843	1,039,843
Net earned	531,128	586,974	601,322
Unallocated expenses	61,874	176,859	168,988
Estimated claims and expenses, end of policy year:			
Incurred	829,340	505,510	401,405
Ceded	379,937	0	0
Net incurred	449,403	505,510	401,405
Net paid (cumulative) as of:			
End of policy year	332,618	124,489	182,444
One year later	-	366,618	298,986
Two years later	-	-	390,917
Re-estimated ceded claims and expenses	-	-	-
Re-estimated net incurred claims and expenses:			
End of policy year	449,403	428,202	378,928
One year later	-	529,545	392,619
Two years later	-	-	417,039
Increase (decrease) in estimated net incurred claims and expenses from end of policy year	0	(24,035)	(15,634)

The accompanying notes are an integral part of these financial statements

GILMORE, JASION & MAHLER, LTD

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Committee Members
Metropolitan Educational Council
Liability, Fleet and Property Program
Columbus, Ohio

We have audited the financial statements of Metropolitan Educational Council Liability, Fleet and Property Program (the Program) as of and for the year ended June 30, 2007, and have issued our report thereon, dated December 3, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Program's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2007-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Kevin M. Gilmore, CPA, CVA
Adele M. Jasion, CPA
Andrew L. Mahler, CPA, CVA, CFFA
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Linda J. Hillstrom, CPA
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Charles F. Heid, CPA

1715 Indian Wood Circle, Suite 100
Maumee, Ohio 43537-4055
419.794.2000 Fax: 419.794.2090

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-1 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Program in a separate report letter dated December 3, 2007.

This report is intended solely for the information and use of the Committee Members and is not intended to be and should not be used by anyone other than these specified parties.

Gilmore, Jasion & Mahler, LTD

December 3, 2007

METROPOLITAN EDUCATIONAL COUNCIL
LIABILITY, FLEET AND PROPERTY PROGRAM
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2007

Finding 07-1

Condition

At June 30, 2007 an audit adjustment was made to accurately state the Loss reserves and the Reimbursement claims receivable.

Cause

This situation was caused by the Program not having the in-house expertise to accurately account for the reinsurance and stop loss transactions. This lack of in-house expertise resulted in the inability of the Program to identify material transactions that should have been reported in the Program's financial statements.

Recommendation

A thorough working knowledge of the Program plays a key role in proving the accuracy of accounting data and information included in the annual financial statements. Therefore, in order to provide accurate accounting information, we strongly recommend that the Program obtain the resources necessary to adequately record financial information in the financial statements.

Management response

Management concurs with the finding that Program did not have the in-house expertise to accurately account for the reinsurance and stop loss transactions.

Mary Taylor, CPA
Auditor of State

METROPOLITAN EDUCATIONAL COUNCIL LIABILITY, FLEET AND PROPERTY PROGRAM

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
JANUARY 31, 2008

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us