



Dave Yost • Auditor of State

METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Metro Early College High School
Franklin County
1929 Kenny Road
Columbus, Ohio 43210

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Metro Early College High School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 School'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 School'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 overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metro Early College High School, Franklin County, Ohio as of June 30, 2014, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2015, on our consideration of the School'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 School's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 15, 2015

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The management's discussion and analysis of the Metro Early College High School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ending June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- Net position at June 30, 2014 was \$1,435,216, including unrestricted net position of \$1,338,012. This represents a decrease of \$96,545 or 6.30% compared to the prior year.
- The School had total revenues of \$4,559,179, including operating revenues of \$3,581,411 and non-operating revenues of \$977,768; these revenues supported operating expenses of 4,654,781 and non-operating expenses of \$943 during fiscal year 2014.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the School, including all short-term and long-term financial resources and obligations. The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its operations.

Reporting the School's Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did the School perform financially during 2014?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net position and changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report. The Statement of Cash Flows can be found on page 9.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 11-19 of this report.

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The table below provides a summary of the School's net position at June 30, 2014 and 2013.

	2014	2013
<u>Assets</u>		
Current assets	\$ 1,814,011	\$ 1,707,244
Capital assets, net	144,831	255,285
Total assets	1,958,842	1,962,529
<u>Liabilities</u>		
Current liabilities	489,665	380,141
Long-term liabilities	33,961	50,627
Total liabilities	523,626	430,768
<u>Net position</u>		
Net investment in capital assets	94,204	204,658
Restricted	3,000	33,787
Unrestricted	1,338,012	1,293,316
Total net position	\$ 1,435,216	\$ 1,531,761

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School's assets exceeded liabilities by \$1,435,216. Of this total, \$3,000 is restricted in use and \$1,338,012 is unrestricted. Capital assets decreased in 2014 due to depreciation and few acquisitions. Refer to Note 6 for further information. Current liabilities increased in fiscal year 2014 due to additional services provided as a result of an increase in full-time students. The decrease in capital assets offset by an increase in current liabilities resulted in an overall decrease in total net position.

Assets

Current assets consist primarily of cash and cash equivalents. The School's only capital assets at June 30, 2014 are furniture, fixtures and equipment. Capital assets are used to provide services to the students and are not available for future spending, therefore the School's net investment in capital assets is presented as a separate component of net position.

Liabilities

Current liabilities consist primarily of accounts and intergovernmental payables. The only non-current liability reported at June 30, 2014 is the long-term portion of the School's compensated absences liability.

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following table shows the changes in net position for fiscal years 2014 and 2013.

Change in Net Position

	2014	2013
<u>Operating revenues:</u>		
State Foundation	\$ 3,512,130	\$ 2,556,843
Tuition and fees	28,474	50,642
Sales and charges for services	35,841	8,050
Miscellaneous	4,966	56,926
Total operating revenues	3,581,411	2,672,461
<u>Non-operating revenues:</u>		
Federal and State grants	543,305	235,356
Interest earnings	127	199
Contributions and donations	434,336	408,379
Total non-operating revenues	977,768	643,934
Total Revenues	4,559,179	3,316,395
<u>Operating expenses:</u>		
Purchased services	4,257,275	3,508,409
Materials and supplies	234,546	150,964
Other	38,662	21,956
Depreciation	124,298	121,277
Total operating expenses	4,654,781	3,802,606
<u>Non-operating expenses:</u>		
Interest and fiscal charges	943	1,906
Total non-operating expenses	943	1,906
Total Expenses	4,655,724	3,804,512
Loss before special item	(96,545)	(488,117)
Special item - transfer of assets from fiscal agent	-	2,019,878
Change in net position	(96,545)	1,531,761
Net position at the beginning of the year	1,531,761	-
Net position at the end of the year	\$ 1,435,216	\$ 1,531,761

As the preceding table illustrates, the School's primary source of revenue is State Foundation revenue, which is allocated to schools throughout the State based on Full Time Equivalent (FTE) students reported by the schools. The School's FTE increased from 393 in fiscal year 2013 to 513 in fiscal year 2014 leading to an increase in Foundation revenue. Foundation revenue accounted for 98.1% of operating revenues and 77.0% of all revenues for fiscal year 2014. The only other significant revenue sources in 2014 were Federal and State grants and contributions and donations, which are reported as non-operating revenues. The increase in Federal and State grants is mostly related to a College Readiness grant awarded for fiscal year 2014, in the amount of \$259,569 that was not awarded in fiscal year 2013.

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The main component of expenses for the School is purchased services, which accounted for 91.4% of all expenses in fiscal year 2014. These expenses consist primarily of professional and technical services, including payments made under the School's services contract with the Educational Service Center of Central Ohio. Refer to Note 11 in the notes to the basic financial statements for additional detail on the services contract. The increase in purchased services and materials and supplies expenses are due to additional services provided as a result of the increase in FTE.

The special item reported in fiscal year 2013 reflects the transfer of assets and liabilities from the School's previous fiscal agent.

Capital Assets

At June 30, 2014, the School's only capital assets are furniture, fixtures and equipment in the amount of \$144,831 (net of accumulated depreciation). Additions to capital assets in fiscal year 2014 were \$13,844. The School recognized \$124,298 in depreciation expense in 2014. Refer to Note 6 in the notes to the basic financial statements for more detail on the School's capital assets.

Debt Administration

The only long-term debt outstanding for the School is a capital lease obligation which was entered into during fiscal year 2013 in order to acquire computer hardware. At June 30, 2014, the balance of the lease is \$50,627, all of which is due within one year. See Note 7 and Note 8 in the notes to the basic financial statements for detail on the lease.

Current Issues

The School receives approximately 98.1% of its operating revenues from the Ohio Department of Education in the form of State Foundation revenues. Thus, the School is heavily reliant on the State funding formula in its ability to continue to provide quality educational services to its students. The School's allocation for fiscal year 2015 is approximately \$4.46 million.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tammy Rizzo, Treasurer of Metro Early College High School, 2080 Citygate Drive, Columbus, Ohio 43219.

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

Assets:

Current assets:

Equity in pooled cash and cash equivalents	\$ 1,518,427
Receivables	
Accounts	19,562
Intergovernmental	<u>276,022</u>
<i>Total current assets</i>	<u>1,814,011</u>

Non-current assets:

Depreciable Capital assets, net	<u>144,831</u>
Total assets	<u>1,958,842</u>

Liabilities:

Current liabilities:

Accounts payable	56,660
Intergovernmental payable	381,435
Capital lease payable	50,627
Accrued interest payable	<u>943</u>
<i>Total current liabilities</i>	<u>489,665</u>

Long-term liabilities:

Intergovernmental payable	<u>33,961</u>
Total liabilities	<u>523,626</u>

Net Position:

Net investment in Capital Assets	94,204
Restricted for federal programs	3,000
Unrestricted	<u>1,338,012</u>
Total Net Position	<u>\$ 1,435,216</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Operating revenues:

State Foundation	\$ 3,512,130
Tuition and fees	28,474
Sales and charges for services	35,841
Miscellaneous	4,966
Total operating revenues	<u>3,581,411</u>

Operating expenses:

Purchased services	4,257,275
Materials and supplies	234,546
Other	38,662
Depreciation	124,298
Total operating expenses	<u>4,654,781</u>

Operating loss	<u>(1,073,370)</u>
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Non-operating revenues (expenses):

Federal and state grants	543,305
Interest earnings	127
Contributions and donations	434,336
Interest and fiscal charges	(943)
Total non-operating revenues (expenses)	<u>976,825</u>

Change in net position	(96,545)
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Net position at beginning of year	<u>1,531,761</u>
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Net position at end of year	<u><u>\$ 1,435,216</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Cash flows from operating activities:	
Cash received from State Foundation	\$ 3,499,227
Cash received from tuition and fees	34,544
Cash received from sales and charges for services	31,591
Cash received from miscellaneous	4,966
Cash payments for purchased services	(4,158,194)
Cash payments for materials and supplies	(236,528)
Cash payments for other expenses	<u>(38,650)</u>
Net cash used in operating activities	<u>(863,044)</u>
Cash flows from noncapital financing activities:	
Cash received from Federal and State grants	280,186
Cash received from contributions and donations	<u>429,336</u>
Net cash provided by noncapital financing activities	<u>709,522</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(21,992)</u>
Net cash used in capital and related financing activities	<u>(21,992)</u>
Cash flows from investing activities:	
Interest received	<u>127</u>
Net cash provided by investing activities	<u>127</u>
Net decrease in cash and cash equivalents	(175,387)
Cash and cash equivalents at beginning of year	<u>1,693,814</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,518,427</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,073,370)
Adjustments:	
Depreciation	124,298
Changes in assets and liabilities:	
Increase in accounts receivable	(1,557)
Increase in intergovernmental receivable	(12,478)
Increase in accounts payable	37,789
Increase in intergovernmental payable	<u>62,274</u>
Net cash used in operating activities	<u><u>\$ (863,044)</u></u>

Non-cash transactions:

At June 30, 2014, the School purchased \$1,499 in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Metro Early College High School (the "School") is a legally separate nonprofit corporation served by an appointed nine-member Governing Board and meets the definition of a science, technology, engineering, and math (STEM) school under chapter 3326 of the Ohio Revised Code. The School became a separate legal entity effective July 1, 2012. Prior to that date, the School was included as part of the reporting entity of the Educational Council Foundation, for which the Educational Service Center of Central Ohio (the "ESCCO") acted as fiscal agent. Thus, the fiscal year ended June 30, 2013 was the first year of operations for the School as a STEM school. The School is a small and intellectually vibrant learning community designed to serve students who want a personalized learning experience that prepares them for a connected world where math, science and technology are vitally important. All School students engage in a personally relevant and academically rigorous curriculum within a safe and trusting environment. The School offers education for children in the ninth through twelfth grade. The School is capable of suing and being sued, contracting and being contracted with, acquiring, holding, possessing, and disposing of real and personal property, taking and holding in trust for the use and benefit of the School, any grant or devise of land and any donation or bequest of money or other personal property.

The School was approved for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

The School's Governing Board advises and assists the school staff on curriculum, school evaluation and research, professional development, funding and community relations. Nine members serve on the Governing Board, including three representatives from The Ohio State University, three from Battelle Memorial Institute, two from Columbus City Schools and one from the Educational Council Foundation Board. The School's principal and staff oversee the day-to-day operations of the School.

The Regional Shared Service Center Council of Governments (RSSCOG) serves as the fiscal agent for the School (See Note 11).

Reporting Entity:

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School. For the School, this includes instructional activities of the School.

Component units are legally separate organizations for which the School is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization's Governing Board and (1) the School is able to significantly influence the programs or services performed or provided by the organization; or (2) the School is legally entitled to or can otherwise access the organization's resources; or (3) the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the School is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School in that the School approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading.

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY - (Continued)

Based upon the application of these criteria, the School has no component units. The basic financial statements of the reporting entity include only those of the School (the primary government).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School's significant accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a "flow of economic resources" measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Position.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the year when use is first permitted and all eligibility requirements have been met; eligibility requirements include matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, STEM schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705. Ohio Revised Code 5705.391 does require the School to prepare a five-year projection.

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School is pooled in a central bank account. Monies for the School are maintained in this account or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. The School had no investments during the fiscal year ended June 30, 2014.

F. Capital Assets

The School's capital assets during fiscal year 2014 consisted of furniture, fixtures and equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$500. The School does not have any infrastructure. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Depreciation is computed using the straight-line method over useful lives ranging from 3-20 years.

G. Net Position

Net position represents the difference between assets and liabilities. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

H. Intergovernmental Revenue

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

The amount of these grants is directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated.

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Intergovernmental Revenue (Continued)

The remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the financial statements.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. The School had no extraordinary or special items during fiscal year 2014.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2014, the School has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School.

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 4 - DEPOSITS

Monies held by the School are classified by State statute into three categories.

Active monies are public deposits determined to be necessary to meet current demands upon the School treasury. Active monies must be maintained either as cash in the School Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Governing Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than five years from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 4 - DEPOSITS - (Continued)

Protection of the School's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 2014, the carrying amount of all School deposits was \$1,518,427. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2014, \$1,296,683 of the School's bank balance of \$1,546,683 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. The School has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the FDIC.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2014, consist of accounts (tuition and fees for laptops, books and other class fees) and intergovernmental grants. All receivables are considered collectible in full and are expected to be collected within the subsequent year.

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14
Capital assets, being depreciated:				
Furniture, fixtures and equipment	\$ 671,270	\$ 13,844	\$ -	\$ 685,114
Total capital assets being depreciated	<u>671,270</u>	<u>13,844</u>	<u>-</u>	<u>685,114</u>
Less: accumulated depreciation				
Furniture, fixtures and equipment	<u>(415,985)</u>	<u>(124,298)</u>	<u>-</u>	<u>(540,283)</u>
Total accumulated depreciation	<u>(415,985)</u>	<u>(124,298)</u>	<u>-</u>	<u>(540,283)</u>
Capital assets, net	<u>\$ 255,285</u>	<u>\$ (110,454)</u>	<u>\$ -</u>	<u>\$ 144,831</u>

NOTE 7 - CAPITAL LEASE - LESSEE DISCLOSURE

On July 7, 2012, the School entered into a lease agreement to acquire computer hardware, which meets the criteria for reporting as a capital lease. Capital assets consisting of equipment have been capitalized in the amount of \$151,898, which represents the value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Position. Accumulated depreciation on the equipment at June 30, 2014 was \$97,046, leaving a book value of \$54,852.

There were no principal or interest payments on the lease in fiscal year 2014. The following is a schedule of the future long-term minimum lease payments required under the lease and the present value of the future minimum lease payments as of June 30, 2014:

Fiscal Year	Amount
<u>Ending June 30,</u>	
2015	\$ 51,589
Less: amount representing interest	<u>(962)</u>
Present value of minimum lease payments	<u>\$ 50,627</u>

NOTE 8 - LONG-TERM OBLIGATIONS

The following is a summary of the School's long-term obligations activity in fiscal year 2014:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Intergovernmental payable	\$ -	\$ 44,462	\$ -	\$ 44,462	\$ 10,501
Capital lease	<u>50,627</u>	<u>-</u>	<u>-</u>	<u>50,627</u>	<u>50,627</u>
Total	<u>\$ 50,627</u>	<u>\$ 44,462</u>	<u>\$ -</u>	<u>\$ 95,089</u>	<u>\$ 61,128</u>

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 9 - PURCHASED SERVICES

For fiscal year ended June 30, 2014, purchased services expenses were as follows:

Professional and technical services	\$ 3,036,378
Property services	841,461
Travel mileage and meetings	12,935
Communications	9,980
Contracted craft or trade	67,215
Tuition	246,333
Pupil transportation services	<u>42,973</u>
Total	<u>\$ 4,257,275</u>

NOTE 10 - RISK MANAGEMENT

The School is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2014, the School had general liability, property and auto insurance through Governmental Underwriters of America, Inc. Settled claims have not exceeded this commercial coverage and there has been no significant reduction in coverage compared to the prior year.

NOTE 11 - SERVICE AGREEMENT

The School entered into a service contract with the RSSCOG for fiscal year 2014 to provide fiscal, student data, and Comprehensive Continuous Planning (CCP) consulting services. The RSSCOG shall perform the following services for the School in accordance with the services proposal of January 6, 2012:

- Month End Accounting
- Accounts Payable/Receivable
- Payroll
- Accounting/Fiscal Support/Tax Reporting/General Office Support
- EMIS/Recordkeeping.

NOTE 12 - CONTINGENCIES

A. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2014.

**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

NOTE 12 – CONTINGENCIES – (Continued)

B. State Foundation Funding

The Ohio Department of Education conducts reviews on enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the review after fiscal year end, the School is owed \$12,903 from the Ohio Department of Education. This amount is reflected as an intergovernmental receivable on the basic financial statements.

C. Litigation

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements at June 30, 2014.

NOTE 13 - OPERATING LEASES - LESSEE DISCLOSURE

The School entered into a lease for the period from July 1, 2013 through June 30, 2015 to rent a building from The Ohio State University. Rent charges and other occupancy costs totaled \$755,938 for fiscal year 2014.

The School has entered into a 60 month lease for a copier and related equipment. The future minimum payments include parts, labor and toner and are payable in monthly installments through June 2017. Payments made in 2014 totaled \$4,911.

The following is a schedule of the future minimum payments required under the operating leases outstanding as of June 30, 2014:

Fiscal Year <u>Ending June 30,</u>	<u>Building</u>	<u>Copier</u>
2015	\$ 889,175	\$ 4,850
2016	-	4,850
2017	-	4,850
Total future minimum payments	<u>\$ 889,175</u>	<u>\$ 14,550</u>

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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*

Metro Early College High School
Franklin County
1929 Kenny Road
Columbus, Ohio 43210

To the Governing Board:

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 Metro Early College High School, Franklin County, Ohio (the School) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated January 15, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School'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 School'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 School'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 School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School'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 style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 15, 2015



Dave Yost • Auditor of State

METRO EARLY COLLEGE HIGH SCHOOL

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
MARCH 12, 2015**