



**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2006**



**Auditor of State
Betty Montgomery**

**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN COUNTY**

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**Auditor of State
Betty Montgomery**

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

To the Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Council to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 20, 2006

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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 Council Members:

We have audited the accompanying financial statements of Metropolitan Educational Council, Franklin County, Ohio, (the Council) as of and for the year ended June 30, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Council has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Council to reformat its financial statement presentation and make other changes effective for the year ended June 30, 2006. Instead of the combined funds the accompanying financial statements present for 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Council has elected not to reformat its statements. Since this Council does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended June 30, 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2006, or its changes in financial position or cash flows of its internal service fund for the year then ended.

Also, 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 Metropolitan Educational Council, Franklin County, Ohio, as of June 30, 2006, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Council to include Management's Discussion and Analysis for the year ended June 30, 2006. The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

October 20, 2006

**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, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Earnings on Investments	\$ 63,102	\$ -	\$ 63,102
Intergovernmental Receipts	-	650,102	650,102
Membership Dues	156,607	-	156,607
Administrative Fees	279,686	-	279,686
Miscellaneous	222,331	-	222,331
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	721,726	650,102	1,371,828
Cash Disbursements:			
Personal Services	316,629	-	316,629
Contractual Services	-	12,400	12,400
Purchased Services	231,504	3,000	234,504
Supplies and Materials	5,584	25,046	30,630
Miscellaneous	15,380	597,680	613,060
Capital Outlay	4,521	21,812	26,333
Total Cash Disbursements	573,618	659,938	1,233,556
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	148,108	(9,836)	138,272
Fund Cash Balances, July 1	675,477	16,731	692,208
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, June 30	<u>\$ 823,585</u>	<u>\$ 6,895</u>	<u>\$ 830,480</u>
Reserves for Encumbrances, June 30	<u>\$ 14,041</u>	<u>\$ 25,250</u>	<u>\$ 39,291</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 AND AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Internal Service	Agency	Totals (Memorandum Only)
Operating Cash Receipts:			
Charges for Services:			
Computer Services	\$ 3,319,162	\$ -	\$ 3,319,162
Total Operating Cash Receipts	3,319,162	-	3,319,162
Operating Cash Disbursements:			
Personal Services	1,088,022	-	1,088,022
Retirement and Insurance	411,055	-	411,055
Contractual Services	1,762,510	-	1,762,510
Supplies and Materials	492,224	-	492,224
Miscellaneous	43,268	-	43,268
Capital Outlay	101,206	-	101,206
Total Operating Cash Disbursements	3,898,285	-	3,898,285
Operating Loss	(579,123)	-	(579,123)
Non-Operating Cash Receipts:			
Earnings on Investments	114,882	43,457	158,339
Intergovernmental Receipts	740,523	-	740,523
Miscellaneous Receipts:			
Fleet, Liability and Property Insurance	-	1,601,322	1,601,322
Medical / Life Insurance	-	3,808,587	3,808,587
Self-Help Gas Program	-	24,320,088	24,320,088
Other Miscellaneous Receipts	13,617	-	13,617
Total Non-Operating Cash Receipts	869,022	29,773,454	30,642,476
Non-Operating Cash Disbursements:			
Contractual Services:			
Fleet, Liability and Property Insurance	-	1,369,938	1,369,938
Medical / Life Insurance	-	3,881,317	3,881,317
Self-Help Gas Program	-	24,265,488	24,265,488
Total Non-Operating Cash Disbursements	-	29,516,743	29,516,743
Net Receipts Over/(Under) Disbursements	289,899	256,711	546,610
Fund Cash Balances, July 1	3,339,274	768,583	4,107,857
Fund Cash Balances, June 30	\$ 3,629,173	\$ 1,025,294	\$ 4,654,467
Reserve for Encumbrances, June 30	\$ 251,342	\$ 1,370,935	\$ 1,622,277

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, 2006**

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-eight 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and disbursements 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 adequately disclose material matters as the Auditor of State prescribes.

C. Cash and Investments

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund report.

The Council's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Council reports gains or losses at the time of sale 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, 2004
(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 Fund:

Information Technology Fund – This fund receives charges for services from members to cover the costs of providing information technology services.

4. Fiduciary Funds (Agency Funds)

These funds are used to account for resources for which the Council is acting in an agency capacity. The Board had the following significant Fiduciary Funds:

Self-Help Gas Program – This fund receives monies for utility services provided by 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 does not require Councils of Government to follow budgetary requirements, however, the Council budgets each fund annually.

1. Appropriations

Although not required by the Ohio Revised Code, the Council practices that budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control. The Council annually adopts appropriation measures and subsequent amendments.

2. Encumbrances

Although not required by the Ohio Revised Code, the Council reserves (encumbers) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 budgetary activity appears in Note 3.

**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

The Council records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. The financial statements do not include a liability for unpaid leave.

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:

	<u>2006</u>
Demand Deposits	\$3,205,140
STAR Ohio	<u>2,279,807</u>
Total Deposits and Investments	<u><u>\$5,484,947</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: The Council invests with STAR Ohio, the State Treasurer's investment pool. Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2006 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$704,050	\$721,726	\$17,676
Special Revenue	942,422	650,102	(292,320)
Internal Service	4,285,500	4,188,184	(97,316)
Agency	38,247,000	29,773,454	(8,473,546)
Total	<u>\$44,178,972</u>	<u>\$35,333,466</u>	<u>(\$8,845,506)</u>

**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$659,519	\$587,659	\$71,860
Special Revenue	959,152	685,188	273,964
Internal Service	4,887,559	4,149,627	737,932
Agency	38,852,620	30,887,678	7,964,942
Total	\$45,358,850	\$36,310,152	\$9,048,698

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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to School Employees Retirement System, 300 East Broad Street., Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

For fiscal year ended June 30, 2006 plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute at an actuarially determined rate. The current Council rate is 14% of annual covered payroll. Effective January 1, 2004, the Council pays both the board and employee retirement amounts on the pick-up benefit. The pick-up is considered a fringe benefit/extra compensation to the employee and retirement is figured on the pick-up benefit and submitted to the retirement system. Therefore, the Council contributes 11% and 15.4% of employee's and employers' share of annual covered payroll.

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 required contributions to for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$ 350,067, \$364,376, and \$260,481; 100 percent has been contributed for all fiscal years.

5. RISK MANAGEMENT

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Building and its contents; and
- Director's and Officers Liability Insurance.

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

**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

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 INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Council Members:

We have audited the financial statements of the Metropolitan Educational Council, Franklin County, Ohio (the Council) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006, wherein we noted the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Council's management dated October 20, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Council'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, providing an opinion 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*.

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Metropolitan Educational Council
Franklin County
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and Council Members. It is not intended for 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, 2006



**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 5, 2006**