

METRO EARLY COLLEGE HIGH SCHOOL

FRANKLIN COUNTY

REGULAR AUDIT

JULY 1, 2017 – JUNE 30, 2018



WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS

OHIO AUDITOR OF STATE KEITH FABER



Board of Directors
Metro Early College High School
1929 Kenny Road
Columbus, Ohio 43210

We have reviewed the *Independent Auditor's Report* of the Metro Early College High School, Franklin County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2017 through June 30, 2018. 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 Metro Early College High School is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Ohio Auditor of State

January 17, 2019

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**METRO EARLY COLLEGE HIGH SCHOOL
FRANKLIN COUNTY**

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



INDEPENDENT AUDITOR'S REPORT

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the Metro Early College High School, Franklin County, Ohio (the School), as of and for the fiscal year ended June 30, 2018, 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 such 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 the Metro Early College High School, Franklin County as of June 30, 2018, and the changes in its financial position and its cash flows for the fiscal 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 December 15, 2018 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.

Wilson, Shuman & Snow, Inc.

December 15, 2018
Newark, Ohio

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

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, 2018. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Net position at June 30, 2018 was \$3,720,004, including unrestricted net position of \$3,195,871. This represents an increase of \$761,473 compared to the prior fiscal year's net position.
- The School had total revenues of \$8,481,522, including operating revenues of \$7,022,036 and non-operating revenues of \$1,459,486; these revenues supported operating expenses of \$7,718,540 and non-operating expenses of \$1,509 during fiscal year 2018.

Using the Basic Financial Statements

This annual report consists of a series of basic 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 2018?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets and liabilities, 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 fiscal 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 basic financial statements. These notes to the basic financial statements can be found on pages 11-20 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The table below provides a summary of the School's net position at June 30, 2018 and 2017.

Net Position		
	2018	2017
<u>Assets</u>		
Current assets	\$ 4,111,343	\$ 3,382,354
Capital assets, net	321,166	439,447
Total assets	4,432,509	3,821,801
<u>Liabilities</u>		
Current liabilities	632,189	812,383
Long-term liabilities	80,316	50,887
Total liabilities	712,505	863,270
<u>Net position</u>		
Net investment in capital assets	302,343	354,688
Restricted	221,790	10,301
Unrestricted	3,195,871	2,593,542
Total net position	\$ 3,720,004	\$ 2,958,531

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the School's assets exceeded liabilities by \$3,720,004. Of this total, \$221,790 is restricted in use and \$3,195,871 is unrestricted.

Assets

Current assets consist primarily of cash and cash equivalents, receivables and prepayments. Cash and cash equivalents increased as the School's receipts exceeded disbursements for the fiscal year. The School's only capital assets at June 30, 2018 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. Non-current liabilities reported at June 30, 2018 consist of the long-term portion of the School's capital lease obligation and a long-term intergovernmental payable.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The following table shows the changes in net position for fiscal years 2018 and 2017.

Change in Net Position

	2018	2017
<u>Operating revenues:</u>		
State Foundation	\$ 6,838,884	\$ 4,870,366
Tuition and fees	85,833	56,686
Sales and charges for services	50,467	34,146
Miscellaneous	46,852	20,917
Total operating revenues	7,022,036	4,982,115
<u>Operating expenses:</u>		
Purchased services	7,092,493	5,604,501
Materials and supplies	372,224	207,699
Other	37,318	19,312
Depreciation	216,505	196,501
Total operating expenses	7,718,540	6,028,013
<u>Non-operating revenues (expenses):</u>		
Federal and State grants	838,139	369,165
Interest earnings	356	272
Contributions and donations	620,991	1,075,986
Interest and fiscal charges	(1,509)	(1,188)
Loss on disposal of capital assets	-	(574)
Total non-operating revenues (expenses)	1,457,977	1,443,661
Income before special item	761,473	397,763
Special item - government merger	-	496,467
Change in net position	761,473	894,230
Net position at the beginning of the fiscal year	2,958,531	2,064,301
Net position at the end of the fiscal year	\$ 3,720,004	\$ 2,958,531

As the preceding table illustrates, the School's primary source of revenue is State Foundation revenue, which accounted for 97.4% of all operating revenues in fiscal year 2018. Foundation revenue is allocated to schools throughout the State based on Full Time Equivalent (FTE) students reported by the schools. The School's FTE was 915 in fiscal year 2018, compared to 676 in fiscal year 2017. This significant increase is primarily due to a merger with the Metro Institute of Technology (MIT). The merger was effective June 30, 2017 (reported as a special item in the table above) and fiscal year 2018 was the School's first year with MIT's former students. Other major sources of revenue for the School include Federal and State grants and contributions and donations from various local sources.

The main component of expenses for the School is purchased services, which accounted for 91.9% of all expenses in fiscal year 2018. These expenses consist primarily of professional and technical services, including payments made under the School's services contract with the Educational Service Center Council of Governments, and rent expense for the use of buildings. Refer to Note 9 in the notes to the basic financial statements for detail regarding the components of the School's purchased services expenses.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Capital Assets

At June 30, 2018, the School's only capital assets are furniture, fixtures and equipment in the amount of \$321,166 (net of accumulated depreciation). Additions to capital assets in fiscal year 2018 were \$98,224 and the School recorded depreciation expense of \$216,505. 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 for the School is capital lease obligations for the acquisition of copiers. At June 30, 2018, the balance of the leases is \$18,823, of which \$6,864 is due within one year. See Note 7 in the notes to the basic financial statements for detail on the lease.

Current Issues

The School receives approximately 97.4% 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 2019 is approximately \$6.8 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, 2080 Citygate Drive, Columbus, Ohio 43219.

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

STATEMENT OF NET POSITION
JUNE 30, 2018

Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 3,797,331
Receivables:	
Accounts.	39,638
Intergovernmental	220,095
Prepayments.	54,279
Total current assets	4,111,343
Non-current assets:	
Depreciable capital assets, net.	321,166
Total assets.	4,432,509
 Liabilities:	
Current liabilities:	
Accounts payable	25,956
Intergovernmental payable.	599,369
Capital lease payable.	6,864
Total current liabilities	632,189
Non-current liabilities:	
Intergovernmental payable.	68,357
Capital lease payable.	11,959
Total non-current liabilities	80,316
Total liabilities	712,505
 Net position:	
Net investment in capital assets.	302,343
Restricted for federal programs	3,844
Restricted for other purposes	217,946
Unrestricted	3,195,871
Total net position	\$ 3,720,004

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, 2018

Operating revenues:	
State Foundation	\$ 6,838,884
Tuition and fees	85,833
Sales and charges for services.	50,467
Miscellaneous	46,852
Total operating revenues.	<u>7,022,036</u>
Operating expenses:	
Purchased services.	7,092,493
Materials and supplies.	372,224
Other.	37,318
Depreciation.	216,505
Total operating expenses.	<u>7,718,540</u>
Operating loss	<u>(696,504)</u>
Non-operating revenues (expenses):	
Federal and State grants	838,139
Interest earnings	356
Contributions and donations.	620,991
Interest and fiscal charges	(1,509)
Total nonoperating revenues (expenses)	<u>1,457,977</u>
Change in net position	761,473
Net position at beginning of year.	<u>2,958,531</u>
Net position at end of year	<u>\$ 3,720,004</u>

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, 2018

Cash flows from operating activities:	
Cash received from State Foundation	\$ 6,584,873
Cash received from tuition and fees	70,570
Cash received from sales and charges for services.	46,393
Cash received from miscellaneous sources.	46,852
Cash payments for purchased services.	(7,247,797)
Cash payments for materials and supplies	(369,562)
Cash payments for other expenses	(36,490)
	(905,161)
Net cash used in operating activities	
Cash flows from noncapital financing activities:	
Cash received from Federal and State grants.	838,785
Cash received from contributions and donations.	625,070
	1,463,855
Net cash provided by noncapital financing activities	
Cash flows from capital and related financing activities:	
Interest and fiscal charges	(1,509)
Principal retirement on capital lease	(6,380)
Acquisition of capital assets	(75,962)
	(83,851)
Net cash used in capital and related financing activities	
Cash flows from investing activities:	
Interest received	356
	356
Net cash provided by investing activities	
Net increase in cash and cash equivalents	475,199
Cash and cash equivalents at beginning of year.	3,322,132
Cash and cash equivalents at end of year	\$ 3,797,331

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (696,504)
Adjustments:	
Depreciation	216,505
Changes in assets and liabilities:	
Increase in accounts receivable.	(20,337)
Increase in intergovernmental receivable.	(215,354)
Increase in prepayments	(22,824)
Decrease in accounts payable.	(12,029)
Decrease in intergovernmental payable	(154,618)
	(905,161)
Net cash used in operating activities.	

Non-cash transactions:

At June 30, 2018, capital assets purchased on account amounted to \$6,985.
The School entered into a capital lease agreement during fiscal year 2018, in the amount of \$16,357.

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, 2018**

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 ten-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 fiscal 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 seventh through twelfth grade.

The School has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

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

The Educational Service Center Council of Governments serves as the School's fiscal agent (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.

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).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic 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 basic financial statements. The School's basic 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 fiscal 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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

For presentation on the basic 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, 2018.

F. Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the statement of net position. These items are reported as assets on the statement of net position using the consumption method. A current asset for prepaid amounts is recorded at the time of the purchase and the expense is reported in the fiscal year in which services are consumed.

G. Capital Assets

The School's capital assets during fiscal year 2018 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 acquisition 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.

H. 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. Net position restricted for other purposes represents amounts restricted for various local grants.

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

I. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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.

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 fiscal 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.

J. Accrued Liabilities and Long-Term Obligations

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

K. Estimates

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

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary cost 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.

M. 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 2018.

NOTE 3 - ACCOUNTABILITY – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2018, the School has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 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, 2018**

NOTE 3 - ACCOUNTABILITY – CHANGE IN ACCOUNTING PRINCIPLES - (Continued)

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the basic financial statements of the School.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the basic financial statements of the School.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to basic financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the basic financial statements of the School.

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.

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 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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 - DEPOSITS - (Continued)

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.

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, or by the financial institutions participation in the Ohio Pooled Collateral System (OCPS), a collateral pool of eligible securities deposited with a qualified trustee and pledge to the Treasurer of State to secure the repayment of all public monies deposited in the financial 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, 2018, the carrying amount of all School deposits was \$3,797,331 and the bank balance of all School deposits was \$3,959,094. Of the bank balance, \$250,000 was covered by the FDIC and \$3,709,094 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. Although 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.

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. The School has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to the School and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the School's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - RECEIVABLES

Receivables at June 30, 2018, consist of accounts (tuition and fees for services provided and other miscellaneous receipts) and intergovernmental grants.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance 06/30/17	Additions	Reductions	Balance 06/30/18
Capital assets, being depreciated:				
Furniture, fixtures and equipment	\$ 1,436,292	\$ 98,224	\$ -	\$ 1,534,516
Total capital assets being depreciated	<u>1,436,292</u>	<u>98,224</u>	<u>-</u>	<u>1,534,516</u>
Less: accumulated depreciation				
Furniture, fixtures and equipment	(996,845)	(216,505)	-	(1,213,350)
Total accumulated depreciation	<u>(996,845)</u>	<u>(216,505)</u>	<u>-</u>	<u>(1,213,350)</u>
Capital assets, net	<u>\$ 439,447</u>	<u>\$ (118,281)</u>	<u>\$ -</u>	<u>\$ 321,166</u>

NOTE 7 - CAPITAL LEASE - LESSEE DISCLOSURE

The School has entered into lease agreements to acquire computer hardware and copier equipment, which meet the criteria for reporting as capital leases. Capital assets consisting of equipment have been capitalized in the amount of \$32,493, 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, 2018 was \$12,931, leaving a book value of \$19,562.

Principal and interest payments in fiscal year 2018 were \$6,380 and \$1,509, respectively. The following is a schedule of the future long-term minimum lease payments required under the leases and the present value of the future minimum lease payments as of June 30, 2018:

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2019	\$ 7,888
2020	5,439
2021	3,689
2022	<u>3,689</u>
Total minimum lease payments	20,705
Less: amount representing interest	<u>(1,882)</u>
Present value of minimum lease payments	<u>\$ 18,823</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7 - CAPITAL LEASE - LESSEE DISCLOSURE - (Continued)

The following is a summary of the School's capital lease activity in fiscal year 2018:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Capital leases	\$ 8,846	\$ 16,357	\$ (6,380)	\$ 18,823	\$ 6,864

NOTE 8 - INTERGOVERNMENTAL PAYABLE

A. Compensated Absences

The School's employees are employed by the Educational Service Center Council of Governments (ESCCOG). Sick and vacation leave payouts for these employees are paid by the ESCCOG and subsequently reimbursed by the School. The intergovernmental payable reported as a long-term obligation represents the sick and vacation leave balances for the School's employees in accordance with GASB Statement No. 16. The following table presents the net change in this liability for fiscal year 2018.

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Intergovernmental payable	\$ 58,306	\$ 39,187	\$ (12,894)	\$ 84,599	\$ 16,242

B. Other Intergovernmental Payables

The following is a summary of other intergovernmental payables incurred by the School for fiscal year 2018 which is all due within one year:

Description	Amount
Payable to ESCCOG	\$ 548,441
Payable to Ohio State University for Services Provided	34,686
Total	\$ 583,127

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FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 9 - PURCHASED SERVICES

For fiscal year ended June 30, 2018, purchased services expenses were as follows:

Professional and technical services *	\$ 5,036,618
Property services	1,449,045
Travel mileage and meetings	16,041
Communications	10,798
Contracted craft or trade	122,009
Tuition	221,792
Pupil transportation services	22,734
Other	<u>213,456</u>
Total	<u>\$ 7,092,493</u>

* Professional and technical services includes \$4,653,737 in salary and benefit related expenses specific to School employees who are employed by the Educational Service Center Council of Governments.

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 2018, the school had general liability, property and auto insurance through McGowan Governmental Underwriters. Settled claims have not exceeded this commercial coverage and there has been no significant reduction in for the previous three fiscal years.

NOTE 11 - SERVICE AGREEMENT

The School entered into a service contract with the Educational Service Center Council of Governments (ESCCOG) for fiscal year 2018 to provide fiscal, student data, and Comprehensive Continuous Improvement Plan (CCIP) consulting services. The ESCCOG shall perform the following services for the School in accordance with the services proposal:

- 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, 2018.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 12 - CONTINGENCIES - (Continued)

B. State Foundation Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. STEM schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance.

As of the date of this report, additional ODE adjustments for fiscal year 2018 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 basic financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School.

C. Litigation

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the basic financial statements at June 30, 2018.

NOTE 13 - OPERATING LEASES - LESSEE DISCLOSURE

The School has entered into a month-to-month lease to rent a building from The Ohio State University at a cost of \$74,098 per month. Rent charges and other occupancy costs were \$941,207 for fiscal year 2018.

The School has entered into a lease with the PAST Foundation to house the School's Early College Experiences (Learning Centers) at a cost of \$50,000 per quarter beginning July 1, 2015. The School made payments of \$200,000 on this lease in fiscal year 2018. Future minimum payments required under this lease amount to \$200,000 per fiscal year through fiscal year 2020.

The School has entered into a lease agreement to rent a building from Franklin University. The initial lease term is for a period of four years, from August 1, 2015 through July 31, 2019. The School retains the option to extend the lease for two, consecutively-occurring four-year renewal terms. Payments on the lease in fiscal year 2018 totaled \$226,694.

The following is a schedule of the future minimum payments required in the initial lease term:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 288,333
2020	<u>24,167</u>
Total future minimum payments	<u>\$ 312,500</u>

**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 the Metro Early College High School, Franklin County, (the School) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 15, 2018.

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 Entity'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.

Metro Early College High School
Franklin County
Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliancy and Other Matters Required
By *Government Auditing Standards*

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.

Wilson, Shannon E. Shaw, Inc.

December 15, 2018
Newark, Ohio

OHIO AUDITOR OF STATE KEITH FABER



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
JANUARY 31, 2019**