



**METROPOLITAN EDUCATIONAL COUNCIL
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Governing Board Members
Metropolitan Educational Council
Franklin County
6100 Channingway Blvd. Suite 604
Columbus, Ohio 43232

We have audited the accompanying financial statements of the Metropolitan Educational Council, Franklin County, Ohio, (the Council) as of and for the years ended June 30, 1999 and June 30, 1998. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Council prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Metropolitan Educational Council, Franklin County, as of June 30, 1999 and June 30, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As disclosed in Note 6, the Council made certain changes as of July 1, 1997 to more appropriately report financial activity within the proper fund/fund type.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2000 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management and the Governing Board and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

January 25, 2000

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1999**

	General
Cash Receipts:	
Earnings on Investments	\$63,210
Membership Dues	118,518
Administrative Fees	247,272
Miscellaneous	1,503
	430,503
Cash Disbursements:	
Current:	
Personal Services - Salaries	184,150
Purchased Services	81,400
Supplies and Materials	4,093
Miscellaneous	6,969
Capital Outlay	2,813
	279,425
Total Cash Disbursements	279,425
Total Cash Receipts Over/(Under) Cash Disbursements	151,078
Fund Cash Balance, July 1, 1999	683,930
Fund Cash Balance, June 30, 1999	\$835,008
Reserve for Encumbrances, June 30, 1999	\$3,644

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

**COMBINED STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

	Internal Service
Operating Cash Receipts:	
Charges for Services:	
Computer Services	\$1,302,208
Insurance	7,672,462
Self-help Gas Program	5,413,482
Miscellaneous	21,877
	14,410,029
Total Operating Cash Receipts	14,410,029
Operating Cash Disbursements:	
Personal Services	794,093
Purchased Contractual Services	14,110,970
Supplies and Materials	62,380
Miscellaneous	37,027
Capital Outlay	68,007
	15,072,477
Total Operating Cash Disbursements	15,072,477
Operating Cash Receipts Over/(Under) Operating Cash Disbursements	(662,448)
Non-operating Cash Receipts:	
Earnings Investments	59,751
Intergovernmental Receipts	1,391,292
Miscellaneous	32,987
	1,484,030
Total Non-operating Cash Receipts	1,484,030
Non-operating Cash Disbursements:	
Miscellaneous	451,206
	451,206
Total Non-operating Cash Disbursements	451,206
Net Receipts Over/(Under) Disbursements	370,376
Fund Cash Balances, July 1, 1999	1,393,894
Fund Cash Balances, June 30, 1999	\$1,764,270
Reserve for Encumbrances, June 30, 1999	\$1,248,204

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1998**

	General
Cash Receipts:	
Earnings on Investments	\$57,261
Membership Dues	112,170
Administrative Fees	226,832
Miscellaneous	1,699
Total Cash Receipts	397,962
Cash Disbursements:	
Current:	
Personal Services	173,640
Purchased Contractual Services	71,379
Supplies and Materials	3,666
Miscellaneous	9,911
Capital Outlay	5,930
Total Cash Disbursements	264,526
Total Cash Receipts Over/(Under) Cash Disbursements	133,436
Fund Cash Balance, July 1, 1998	550,494
Fund Cash Balance, June 30, 1998	\$683,930
Reserve for Encumbrances, June 30, 1998	\$3,255

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

**COMBINED STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCES - INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 1998**

	Internal Service
Operating Cash Receipts:	
Charges for Services:	
Computer Services	\$1,150,646
Insurance	6,081,332
Self-help Gas Program	6,024,981
Miscellaneous	23,803
	13,280,762
Total Operating Cash Receipts	13,280,762
Operating Cash Disbursements:	
Personal Services	776,109
Purchased Contractual Services	12,965,497
Supplies and Materials	59,891
Miscellaneous	29,935
Capital Outlay	101,458
	13,932,890
Total Operating Cash Disbursements	13,932,890
Operating Cash Receipts Over/(Under) Operating Cash Disbursements	(652,128)
Non-operating Cash Receipts:	
Earnings on Investments	49,339
Intergovernmental Receipts	1,363,126
Miscellaneous	97,040
	1,509,505
Total Non-operating Cash Receipts	1,509,505
Non-operating Cash Disbursements:	
Miscellaneous	445,537
	445,537
Total Non-operating Cash Disbursements	445,537
Net Receipts Over/(Under) Disbursements	411,840
Fund Dash Balances, July 1, 1998 (Re-stated)	982,054
Fund Cash Balances, June 30, 1998	\$1,393,894
Reserve for Encumbrances, June 30, 1998	\$20,819

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998**

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 publicly-elected twenty-six member Governing Board. The regional council of governments provides educational services to the youth and adults in Franklin County and surrounding areas by the cooperative action of the membership.

The Council's management believes these financial statements present all activities for which the Council is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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

D. Fund Accounting

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

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.

Internal Service Funds

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Internal Service Funds (Continued)

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

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

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

E. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Governing Board must annually approve appropriation measures and subsequent amendments.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of June 30.

Encumbrances

The Council's By-Laws and Constitution requires the Council to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Council.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

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>1999</u>	<u>1998</u>
Demand deposits	\$1,506,211	\$1,039,049
STAR Ohio	<u>1,093,067</u>	<u>1,038,775</u>
Total deposits and investments	<u>\$2,599,278</u>	<u>\$2,077,824</u>

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

Investments: The only investments held are those with STAR Ohio, the State Treasurer's in State Treasurer's investment pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the year(s) ending 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$372,000	\$430,503	\$58,503
Internal Service	<u>20,839,340</u>	<u>15,894,059</u>	<u>(4,945,281)</u>
Total	<u>\$21,211,340</u>	<u>\$16,324,562</u>	<u>(\$4,886,778)</u>

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$960,509	\$279,814	\$680,695
Internal Service	<u>21,787,684</u>	<u>16,751,068</u>	<u>5,036,616</u>
Total	<u>\$22,748,193</u>	<u>\$17,030,882</u>	<u>\$5,717,311</u>

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$409,500	\$397,962	(\$11,538)
Internal Service	<u>19,951,300</u>	<u>14,790,267</u>	<u>(5,161,033)</u>
Total	<u>\$20,360,800</u>	<u>\$15,188,229</u>	<u>(\$5,172,571)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$809,574	\$264,526	\$545,048
Internal Service	<u>20,755,585</u>	<u>14,399,246</u>	<u>6,356,339</u>
Total	<u>\$21,565,159</u>	<u>\$14,663,772</u>	<u>\$6,901,387</u>

4. RETIREMENT SYSTEMS

The Council's employees belong to the School Employee Retirement System (SERS). SERS is a cost-sharing multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of SERS contributed 9% of their wages to the SERS. The Council contributed an amount equal to 14% of their wages. However, as an employee benefit, the Council has contributed the employee share, for a total contribution of 23% of employee wages. The Council has paid all contributions required through June 30, 1999.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999 AND 1998
(Continued)

5. RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Computer Coverage
- Vehicles
- Crime

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

6. CHANGE IN FUND BALANCE

To classify funds more in accordance with the activity reported, the following changes in reported beginning fund balances were made effective July 1, 1997:

<u>Fund/Fund Type</u>	<u>Balance June 30, 1997</u>	<u>Adjustment</u>	<u>Balance July 1, 1997</u>
Enterprise	\$682,552	(\$682,552)	\$ 0
Fiduciary	299,502	(299,502)	0
Internal Service	0	982,054	982,054

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

Governing Board Members
Metropolitan Educational Council
Franklin County
6100 Channingway Blvd. Suite 604
Columbus, Ohio 43232

We have audited the accompanying financial statements of the Metropolitan Educational Council, Franklin County, Ohio (the Council), as of and for the years ended June 30, 1999 and June 30, 1998, and have issued our report thereon dated January 25, 2000, wherein we noted the Council made changes to beginning fund balances. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Council in a separate letter dated January 25, 2000.

Metropolitan Education Council
Franklin County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

This report is intended for the information and use of management and Council's Governing Board, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

January 25, 2000



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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
APRIL 27, 2000**