



Dave Yost • Auditor of State



**METRO EARLY COLLEGE HIGH SCHOOL  
FRANKLIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Governing Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Metro Early College High School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metro Early College High School, Franklin County, Ohio as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2014, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 10, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(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, 2013. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Effective July 1, 2012, the School became a separate legal entity. Prior to July 1, 2012, the School was included as part of the reporting entity of the Educational Council Foundation, for which the Educational Service Center of Central Ohio acted as fiscal agent. Thus, the fiscal year ended June 30, 2013 is the first year of operations reported for the School. The School has recorded a special item in the accompanying financial statements to account for the transfer of assets and liabilities from the fiscal agent.

### **Financial Highlights**

Key financial highlights for fiscal year 2013 are as follows:

- Net position at June 30, 2013 was \$1,531,761, including unrestricted net position of \$1,293,316. Exclusive of the special item in the amount of \$2,019,878, the School had a loss of \$488,117.
- The School had total revenues of \$5,336,273, including operating revenues of \$2,672,461, non-operating revenues of \$643,934 and the special item of \$2,019,878; these revenues supported operating expenses of 3,802,606 and non-operating expenses of \$1,906 during fiscal year 2013.

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the School, including all short-term and long-term financial resources and obligations. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations.

### **Reporting the School 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 2013?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-23 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

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

<b>Net Position</b>	
	<u>2013</u>
<b><u>Assets</u></b>	
Current assets	\$ 1,707,244
Capital assets, net	<u>255,285</u>
Total assets	<u>1,962,529</u>
<b><u>Liabilities</u></b>	
Current liabilities	380,141
Long-term liabilities	<u>50,627</u>
Total liabilities	<u>430,768</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	204,658
Restricted	33,787
Unrestricted	<u>1,293,316</u>
Total net position	<u>\$ 1,531,761</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the School's assets exceeded liabilities by \$1,531,761. Of this total, \$33,787 is restricted in use and \$1,293,316 is unrestricted.

**Assets**

Current assets consist primarily of cash and cash equivalents. The School's only capital assets at June 30, 2013 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 of accounts and intergovernmental payables. The only non-current liability reported at June 30, 2013 is the School's capital lease obligation outstanding.

The following table shows the changes in net position for fiscal year 2013.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**Change in Net Position**

	2013
<b><u>Operating Revenues:</u></b>	
State Foundation	\$ 2,556,843
Tuition and fees	50,642
Sales and charges for services	8,050
Miscellaneous	56,926
Total operating revenues	2,672,461
<b><u>Operating Expenses:</u></b>	
Purchased services	3,508,409
Materials and supplies	150,964
Other	21,956
Depreciation	121,277
Total operating expenses	3,802,606
<b><u>Non-operating revenues (expenses):</u></b>	
Federal and State grants	235,356
Interest earnings	199
Contributions and donations	408,379
Interest and fiscal charges	(1,906)
Total non-operating revenues (expenses)	642,028
Loss before special item	(488,117)
Special item - transfer of assets from fiscal agent	2,019,878
Change in net position	1,531,761
Net position at the beginning of the year	-
Net position at the end of the year	\$ 1,531,761

As the preceding table illustrates, the School's primary source of revenue is State Foundation revenue, which is allocated to schools throughout the State based on a per-pupil allotment. This revenue source accounted for 95.7% of operating revenues and 77.1% of all revenues, exclusive of the special item, during the fiscal year. The only other significant revenue sources in 2013 were Federal and State grants and contributions and donations, which are reported as non-operating revenues. Most of the former consists of Federal grant revenue from the Race to the Top program, which is a guaranteed grant amount that the School is allowed to draw down upon through fiscal year 2014. Contributions and donations in 2013 were primarily related to donations from The Ohio State University and The Columbus Foundation.

The main component of expenses for the School is purchased services, which accounted for 92.2% of all expenses in 2013. These expenses consist primarily of professional and technical services, including payments made under the School's services contract with the Educational Service Center of Central Ohio. Refer to Note 11 in the notes to the basic financial statements for additional detail on the services contract.

As discussed previously, the transfer of assets from the School's fiscal agent is reported as a special item. This amount reflects the net effect of all assets and liabilities transferred.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**Capital Assets**

At June 30, 2013, the School's only capital assets are furniture, fixtures and equipment in the amount of \$255,285 (net of accumulated depreciation). Net capital assets of \$192,926 were transferred from the fiscal agent and additions to capital assets in fiscal year 2013 were \$183,636. The School recognized \$121,277 in depreciation expense in 2013. Refer to Note 6 in the notes to the basic financial statements for more detail on the School's capital assets.

**Debt Administration**

The only long-term debt outstanding for the School is a capital lease obligation which was entered into during fiscal year 2013 in order to acquire computer hardware. At June 30, 2013, the balance of the lease is \$50,627, none of which is due within one year. See Note 7 and Note 8 in the notes to the basic financial statements for detail on the lease.

**Current Issues**

The School receives approximately 96% 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 2014 is approximately \$3.3 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 Alan Hutchinson, Treasurer of the Educational Service Center of Central Ohio, 2080 Citygate Drive, Columbus, Ohio 43219.

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

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

**Assets:**

Current assets:

Equity in pooled cash and cash equivalents . . . . .	\$ 1,693,814
Receivables:	
Accounts . . . . .	13,005
Intergovernmental . . . . .	<u>425</u>

Total current assets . . . . .	<u>1,707,244</u>
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Non-current assets:

Depreciable capital assets, net. . . . .	<u>255,285</u>
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Total assets . . . . .	<u>1,962,529</u>
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**Liabilities:**

Current liabilities:

Accounts payable. . . . .	27,019
Intergovernmental payable . . . . .	<u>353,122</u>

Total current liabilities . . . . .	<u>380,141</u>
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Non-current liabilities:

Capital lease payable. . . . .	<u>50,627</u>
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Total liabilities . . . . .	<u>430,768</u>
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**Net position:**

Net investment in capital assets. . . . .	204,658
Restricted for federal programs. . . . .	33,787
Unrestricted. . . . .	<u>1,293,316</u>

Total net position. . . . .	<u>\$ 1,531,761</u>
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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, 2013**

<b>Operating revenues:</b>	
State Foundation . . . . .	\$ 2,556,843
Tuition and fees . . . . .	50,642
Sales and charges for services. . . . .	8,050
Miscellaneous . . . . .	56,926
Total operating revenues . . . . .	2,672,461
<b>Operating expenses:</b>	
Purchased services. . . . .	3,508,409
Materials and supplies. . . . .	150,964
Other. . . . .	21,956
Depreciation . . . . .	121,277
Total operating expenses . . . . .	3,802,606
Operating loss . . . . .	(1,130,145)
<b>Non-operating revenues (expenses):</b>	
Federal and State grants . . . . .	235,356
Interest earnings . . . . .	199
Contributions and donations. . . . .	408,379
Interest and fiscal charges . . . . .	(1,906)
Total nonoperating revenues (expenses) . . . . .	642,028
Loss before special item. . . . .	(488,117)
Special item - transfer of assets from fiscal agent . . . . .	2,019,878
Change in net position. . . . .	1,531,761
<b>Net position at beginning of year . . . . .</b>	<b>-</b>
<b>Net position at end of year. . . . .</b>	<b>\$ 1,531,761</b>

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, 2013**

**Cash flows from operating activities:**

Cash received from State Foundation . . . . .	\$ 2,556,843
Cash received from tuition and fees . . . . .	38,146
Cash received from sales and charges for services . . . . .	9,550
Cash received from miscellaneous sources . . . . .	56,926
Cash payments for purchased services. . . . .	(3,630,218)
Cash payments for materials and supplies . . . . .	(159,148)
Cash payments for other expenses . . . . .	(23,942)

Net cash used in operating activities . . . . .	(1,151,843)
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**Cash flows from noncapital financing activities:**

Cash received from Federal and State grants . . . . .	235,356
Cash received from contributions and donations . . . . .	408,379
Cash received from fiscal agent . . . . .	2,326,991

Net cash provided by noncapital financing activities. . . . .	2,970,726
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**Cash flows from capital and related financing activities:**

Interest and fiscal charges . . . . .	(1,906)
Principal retirement on capital lease . . . . .	(101,271)
Acquisition of capital assets . . . . .	(22,091)

Net cash used in capital and related financing activities . . . . .	(125,268)
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**Cash flows from investing activities:**

Interest received . . . . .	199
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Net cash provided by investing activities . . . . .	199
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Net increase in cash and cash equivalents . . . . .	1,693,814
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Cash and cash equivalents at beginning of year. . . . .	-
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Cash and cash equivalents at end of year . . . . .	\$ 1,693,814
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**Reconciliation of operating loss to net cash used in operating activities:**

Operating loss . . . . .	\$ (1,130,145)
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Adjustments:	
Depreciation . . . . .	121,277

Changes in assets and liabilities:	
Increase in accounts receivable. . . . .	(10,571)
Increase in intergovernmental receivable. . . . .	(425)
Decrease in accounts payable. . . . .	(128,212)
Decrease in intergovernmental payable . . . . .	(3,767)

Net cash used in operating activities . . . . .	\$ (1,151,843)
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**Non-cash transactions:**

The School acquired capital assets in the amount of \$151,898 via a capital lease agreement. At June 30, 2013, the School had capital assets on account in the amount of \$9,647.

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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, 2013**

**NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

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

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

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

The ESCCO serves as the fiscal agent for the School (see Note 11).

*Reporting Entity:*

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**B. Measurement Focus**

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

**C. Basis of Accounting**

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

**D. Budgetary Process**

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**E. Cash and Cash Equivalents**

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

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

Investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices. The School had no investments during the fiscal year ended June 30, 2013.

**F. Capital Assets**

The School's capital assets during fiscal year 2013 consisted of furniture, fixtures and equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$500. The School does not have any infrastructure. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

**G. Net Position**

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

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

**H. Intergovernmental Revenue**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

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

**I. Accrued Liabilities and Long-Term Obligations**

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

**J. Estimates**

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

**K. Operating Revenues and Expenses**

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

**L. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. The School had no extraordinary items during fiscal year 2013. 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.

Effective July 1, 2012, the School became a separate legal entity. Prior to that date, the School was included as part of the reporting entity of the Educational Council Foundation, for which the ESCCO acted as fiscal agent. Thus, the fiscal year ended June 30, 2013 is the first year of operations for the School as a STEM school. The transfer of assets and liabilities to the School from the fiscal agent is reported in the financial statements as a special item.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2013, the School has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections - 2012."

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 did not have an effect on the financial statements of the School.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as limiting the use of the term *deferred* in financial statement presentations.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 4 - DEPOSITS - (Continued)**

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (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, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 4 - DEPOSITS - (Continued)**

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, 2013, the carrying amount of all School deposits was \$1,693,814. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2013, \$1,448,236 of the School's bank balance of \$1,698,236 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (the "FDIC").

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

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2013, consist of accounts and intergovernmental receivables which represent tuition and fees for services provided. All receivables are considered collectible in full and are expected to be collected within the subsequent year.

**NOTE 6 - CAPITAL ASSETS**

Capital assets were transferred to the School when the School became a separate legal entity; see Note 2.L. Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Balance 6/30/12</u>	<u>Transfers</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/13</u>
Capital assets, being depreciated:					
Furniture, fixtures and equipment	\$ -	\$ 487,634	\$ 183,636	\$ -	\$ 671,270
Total capital assets being depreciated	<u>-</u>	<u>487,634</u>	<u>183,636</u>	<u>-</u>	<u>671,270</u>
Less: accumulated depreciation					
Furniture, fixtures and equipment	-	(294,708)	(121,277)	-	(415,985)
Total accumulated depreciation	<u>-</u>	<u>(294,708)</u>	<u>(121,277)</u>	<u>-</u>	<u>(415,985)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 192,926</u>	<u>\$ 62,359</u>	<u>\$ -</u>	<u>\$ 255,285</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 7 - CAPITAL LEASE - LESSEE DISCLOSURE**

On July 7, 2012, the School entered into a lease agreement to acquire computer hardware, which meets the criteria for reporting as a capital lease. Capital assets consisting of equipment have been capitalized in the amount of \$151,898, which represents the value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position. Principal payments in fiscal year 2013 were \$101,271. Accumulated depreciation on the equipment at June 30, 2013 was \$46,413, leaving a book value of \$105,485.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2013:

Fiscal Year Ending June 30,	Amount
2014	\$ -
2015	<u>51,589</u>
Total minimum lease payments	51,589
Less: amount representing interest	<u>(962)</u>
Present value of minimum lease payments	<u>\$ 50,627</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

The following is a summary of the School's long-term obligations activity in fiscal year 2013:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Capital lease	<u>\$ -</u>	<u>\$ 151,898</u>	<u>\$ (101,271)</u>	<u>\$ 50,627</u>	<u>\$ -</u>

**NOTE 9 - PURCHASED SERVICES**

For fiscal year ended June 30, 2013, purchased services expenses were as follows:

Professional and technical services	\$ 2,663,198
Property services	574,704
Travel mileage and meetings	5,332
Communications	76,014
Contracted craft or trade	59,489
Tuition	80,633
Pupil transportation services	<u>49,039</u>
Total	<u>\$ 3,508,409</u>

**NOTE 10 - RISK MANAGEMENT**

The school is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2013, the school had general liability, property and auto insurance through Governmental Underwriters of America, Inc. Settled claims have not exceeded this commercial coverage.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 11 - SERVICE AGREEMENT**

The School entered into a service contract with the ESCCO, for fiscal year 2013, to provide fiscal, student data, and Comprehensive Continuous Planning (CCP) consulting services. The ESCCO shall perform the following services for the School in accordance with the services proposal of January 6, 2012:

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

**NOTE 12 - PENSION PLANS**

As fiscal agent for the School, the ESCCO is the employer of record for all School employees and as such all employees contribute to the pension plans through the ESCCO. The ESCCO has entered into an agreement with the Shared Services Council of Governments (the "Council") to employ all employees of the School. Therefore, fiscal year 2013 personal services costs, which include contributions to the pension plans, are paid by the Council and reported as purchased services expenditures in the accompanying financial statements.

**A. School Employees Retirement System**

Plan Description - The School's employees belong to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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 the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 12 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The School's employees in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

As discussed in Note 12, fiscal year 2013 personal services costs, which include contributions to the postemployment benefit plans, are paid by the Council and reported as purchased services expenditures in the accompanying financial statements.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

**A. School Employees Retirement System**

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The School contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

**NOTE 14 - 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, 2013.

**B. State Foundation Funding**

The Ohio Department of Education conducts reviews on enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

**C. Litigation**

The School is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements at June 30, 2013.

**NOTE 15 - OPERATING LEASES - LESSEE DISCLOSURE**

The School entered into a lease for the period from July 1, 2012 through June 30, 2013 to rent a building from The Ohio State University. Rent charges and other occupancy costs totaled \$588,377 for fiscal year 2013. Subsequent to fiscal year-end, this lease was extended for an additional two years through June 30, 2015 (see Note 16).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 15 - OPERATING LEASES - LESSEE DISCLOSURE - (Continued)**

The School has entered into a 60 month lease for a copier and related equipment. The future minimum payments include parts, labor and toner and are payable in monthly installments through June 2017. Payments made in 2013 totaled \$4,864.

The following is a schedule of the future minimum payments required under the operating lease outstanding as of June 30, 2013:

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2014	\$ 4,850
2015	4,850
2016	4,850
2017	<u>4,850</u>
Total future minimum payments	<u>\$ 19,400</u>

**NOTE 16 - SUBSEQUENT EVENT**

Effective July 1, 2013, the School amended the building lease with The Ohio State University to rent additional space and to extend the lease through June 30, 2015. The minimum payments on the lease are \$753,736 in fiscal year 2014 and \$889,175 in fiscal year 2015.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Metro Early College High School, Franklin County, Ohio (the School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated July 10, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 10, 2014



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Governing Board:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Metro Early College High School (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School adopted an anti-harassment policy on January 6, 2012 that includes violence within a dating relationship within its definition of harassment, intimidation or bullying and to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act";.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 10, 2014

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Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199

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# Dave Yost • Auditor of State

**METRO EARLY COLLEGE HIGH SCHOOL**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 28, 2014**