



OHIO AUDITOR OF STATE
KEITH FABER



**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Northern Buckeye Education Council
Fulton County
209 Nolan Parkway
Archbold, Ohio 43502

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Northern Buckeye Education Council, Fulton County, Ohio (the Council) as of and for the years ended June 30, 2020 and 2019.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 Council'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 Council'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 the overall financial statement presentation.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Council prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Council does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Council, as of June 30, 2020 and 2019, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Council, as of June 30, 2020 and 2019, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matters

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Council. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2021, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Council's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 13, 2021

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Membership Fees	\$10,000		\$10,000
Intergovernmental		\$230,000	230,000
Earnings on Investments	903		903
<i>Total Cash Receipts</i>	<u>10,903</u>	<u>230,000</u>	<u>240,903</u>
Cash Disbursements			
Supporting Services:			
Administration	13,693		13,693
Fiscal Services	637		637
Technical		246,503	246,503
<i>Total Cash Disbursements</i>	<u>14,330</u>	<u>246,503</u>	<u>260,833</u>
<i>Excess of Disbursements Over Receipts</i>	(3,427)	(16,503)	(19,930)
Other Financing Disbursements			
Other Financing Uses		(5,205)	(5,205)
<i>Net Change in Fund Cash Balances</i>	(3,427)	(21,708)	(25,135)
<i>Fund Cash Balances, July 1</i>	<u>59,876</u>	<u>\$21,708</u>	<u>81,584</u>
Fund Cash Balances, June 30			
Assigned	1,250		1,250
Unassigned	55,199		55,199
<i>Fund Cash Balances, June 30</i>	<u>\$56,449</u>		<u>\$56,449</u>

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

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE (CASH BASIS) - PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Proprietary Fund Type
	Internal Service
Operating Cash Receipts	
Charges for Services	\$11,171,677
Operating Cash Disbursements	
Salaries	2,780,202
Employee Fringe Benefits	951,287
Purchased and Contracted Services	7,149,633
Supplies and Materials	3,766
Other	75,742
<i>Total Operating Cash Disbursements</i>	10,960,630
<i>Operating Income</i>	211,047
Non-Operating Receipts (Disbursements)	
Intergovernmental	367,381
Earnings on Investments	100,338
Capital Outlay	(347,069)
Refund of Prior Year Disbursements	59,325
Other Financing Sources	423,326
<i>Total Non-Operating Receipts (Disbursements)</i>	603,301
<i>Net Change in Fund Cash Balance</i>	814,348
<i>Fund Cash Balances, July 1</i>	6,644,875
<i>Fund Cash Balances, June 30</i>	\$7,459,223

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

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 - REPORTING ENTITY

Description of the Entity

The Northern Buckeye Education Council, Fulton County, Ohio (the Council) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Council is a 40 entity consortium organized under Chapter 167 of the Ohio Revised Code as a not-for-profit Council of Governments and is directed by a thirteen member Board of Directors. The purpose of the Council is to provide educational entities in greater northwestern Ohio access to a variety of cooperative administrative services thereby reducing the cost of obtaining these services. Currently the Council provides data processing and internet access services through its Northwest Ohio Computer Association (NWOCA) subsidiary, online student schooling through its Northern Ohio Virtual Academy (NOVA), and in-service training sessions to employees of its member entities.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Council's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balance (cash basis) for the proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Council are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Council for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Council had the following significant Special Revenue Fund:

State Software Development Team (SSDT) Grant – The fund accounts for an annual grant from the Ohio Department of Education for the development and support of statewide provided software for Ohio's school districts.

Internal Service Funds This fund accounts for financing of goods or services provided by the Council to member entities. The Council had the following significant Internal Service Fund:

Northwest Ohio Computer Association (NWOCA) – The fund accounts for the activity of providing data processing services to member entities.

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)**

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Council is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Council annually approves the budget for the Council. The budget includes an estimate of amounts expected to be received and expended (appropriations) by the Council during the fiscal year. Budget amendments are approved by the Board of Directors during the year as required. The Council reserves (encumbers) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2020 budgetary activity appears in Note 7.

Deposits and Investments

The Council's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Council values government agency obligations and U.S. treasuries at cost. Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Council must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**NORTHERN BUCKEYE EDUCATION COUNCIL
 FULTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020
 (Continued)**

Nonspendable The Council classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Governing Board can commit amounts via formal action (resolution). The Council must adhere to these commitments unless the Governing Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Directors or a Council official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Council applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 3 - DEPOSITS AND INVESTMENTS

The Council maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at June 30, 2020 was as follows:

	2020
Demand Deposits	\$ 3,758,361
U.S. Government Agency Securities	2,136,238
U.S. Treasuries	369,064
STAR Ohio	859,260
Money Market Mutual Fund	392,749
Total Investments	3,757,311
Total Deposits and Investments	\$ 7,515,672

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through 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.

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)**

Investments

The Federal Reserve holds the Council's U.S. Government Agency Securities and U.S Treasuries in book-entry form, in the name of the Council's financial institution. The financial institution maintains records identifying the Council as owner of these securities.

Investments in STAR Ohio and money market mutual funds are not evidenced by securities that exist in physical or book-entry form.

NOTE 4 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System (SERS)

Plan Description – Non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Council has paid all contributions required through June 30, 2020.

State Teachers Retirement System (STRS)

Plan Description – Licensed teachers participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The Council has paid all contributions required through June 30, 2020.

NOTE 5 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – SERS administers the SERS Health Care Fund for non-certificated retirees and their beneficiaries. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents.

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)**

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made 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 if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the Council’s surcharge obligation was \$2,458.

State Teachers Retirement System

Plan Description – STRS administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

NOTE 6 - RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- Education Liability
- General Liability
- Automobile Liability

NOTE 7 - BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,400	\$10,903	\$503
Special Revenue	230,000	230,000	
Internal Service	11,152,437	12,122,047	969,610
Total	\$11,392,837	\$12,362,950	\$970,113

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Continued)**

2020 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$14,900	\$14,330	\$570
Special Revenue	251,708	251,708	
Internal Service	12,507,886	12,184,839	323,047
Total	<u>\$12,774,494</u>	<u>\$12,450,877</u>	<u>\$323,617</u>

NOTE 8 - COMMITMENTS

Commitments

During the fiscal year ended June 30, 2002, the Council undertook feasibility studies and solicited bids for a dedicated fiber optic line connecting all the member districts to NWOCA. This project was completed in three geographic areas (phases), that were all finalized prior to June 30, 2004. Construction, maintenance and leasing costs for this network are to be financed by fees assessed the member districts. The Council committed to lease a part of the fiber optic line in Phase One of the network and construct the remainder. The leased portion of Phase One calls for maintenance charges over the twenty-year term of the lease ending in January 2022. As of June 30, 2020, total maintenance charges of \$4,328 are due over the remaining term of the lease. The Council committed to leasing the fiber optic line in Phase Two, for which the Council entered into two lease agreements. The first lease agreement calls for maintenance charges over the twenty-year term of the lease ending in July 2022. As of June 30, 2020, total maintenance charges of \$23,820 are due over the remaining term of the lease. The second lease called for maintenance charges over the first fifteen years of the lease and ended in November 2017. There are no commitments related to Phase Three.

On August 29, 2016 the Council executed an amended and restated lease agreement with the Northwest Ohio Educational Service Center (NWOESC) for office space at the Archbold facility. Per the terms of the lease, the NWOESC and the Council will share equally in all ongoing maintenance of the facility. The Council will pay an annual administration fee to the NWOESC for overseeing the financial obligations maintaining the facility. Total payments to NWOESC for maintenance and the annual administration fee were \$94,554 for fiscal year 2020.

NOTE 9 - CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Council are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 10 - SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Council. In addition, the impact on the Council's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Membership Fees	\$9,500		\$9,500
Intergovernmental		\$2,320,206	2,320,206
Earnings on Investments	974		974
<i>Total Cash Receipts</i>	<u>10,474</u>	<u>2,320,206</u>	<u>2,330,680</u>
Cash Disbursements			
Supporting Services:			
Administration	9,051		9,051
Fiscal Services	624		624
Technical		2,367,249	2,367,249
<i>Total Cash Disbursements</i>	<u>9,675</u>	<u>2,367,249</u>	<u>2,376,924</u>
<i>Net Change in Fund Cash Balances</i>	799	(47,043)	(46,244)
<i>Fund Cash Balances, July 1</i>	<u>59,077</u>	<u>68,751</u>	<u>127,828</u>
Fund Cash Balances, June 30			
Restricted		21,708	21,708
Assigned	4,500		4,500
Unassigned	55,376		55,376
<i>Fund Cash Balances, June 30</i>	<u>\$59,876</u>	<u>\$21,708</u>	<u>\$81,584</u>

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

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE (CASH BASIS) - PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Proprietary Fund Type
	Internal Service
Operating Cash Receipts	
Charges for Services	\$10,035,692
Operating Cash Disbursements	
Salaries	2,692,253
Employee Fringe Benefits	905,487
Purchased and Contracted Services	6,772,741
Supplies and Materials	2,552
Other	57,608
<i>Total Operating Cash Disbursements</i>	10,430,641
<i>Operating Loss</i>	(394,949)
Non-Operating Receipts (Disbursements)	
Intergovernmental	372,464
Earnings on Investments	101,560
Capital Outlay	(147,467)
Refund of Prior Year Disbursements	81,485
<i>Total Non-Operating Receipts (Disbursements)</i>	408,042
<i>Net Change in Fund Cash Balance</i>	13,093
<i>Fund Cash Balance, July 1</i>	6,631,782
<i>Fund Cash Balance, June 30</i>	\$6,644,875

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

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 - REPORTING ENTITY

Description of the Entity

The Northern Buckeye Education Council, Fulton County, Ohio (the Council) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Council is a 38 entity consortium organized under Chapter 167 of the Ohio Revised Code as a not-for-profit Council of Governments and is directed by a thirteen member Board of Directors. The purpose of the Council is to provide educational entities in greater northwestern Ohio access to a variety of cooperative administrative services thereby reducing the cost of obtaining these services. Currently the Council provides data processing and internet access services through its Northwest Ohio Computer Association (NWOCA) subsidiary, online student schooling through its Northern Ohio Virtual Academy (NOVA), and in-service training sessions to employees of its member entities.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Council's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balance (cash basis) for the proprietary fund type which are organized on a fund type basis.

Fund Accounting

The Council uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Council are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Council for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Council had the following significant Special Revenue Fund:

State Software Development Team (SSDT) Grant – The fund accounts for an annual grant from the Ohio Department of Education for the development and support of statewide provided software for Ohio's school districts.

Internal Service Funds This fund accounts for financing of goods or services provided by the Council to member entities. The Council had the following significant Internal Service Fund:

Northwest Ohio Computer Association (NWOCA) – The fund accounts for the activity of providing data processing services to member entities.

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Council is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Council annually approves the budget for the Council. The budget includes an estimate of amounts expected to be received and expended (appropriations) by the Council during the fiscal year. Budget amendments are approved by the Board of Directors during the year as required. The Council reserves (encumbers) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 7.

Deposits and Investments

The Council's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Council values government agency obligations and U.S. treasuries at cost. Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Council must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**NORTHERN BUCKEYE EDUCATION COUNCIL
 FULTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019
 (Continued)**

Nonspendable The Council classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Governing Board can commit amounts via formal action (resolution). The Council must adhere to these commitments unless the Governing Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Directors or a Council official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Council applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 3 - DEPOSITS AND INVESTMENTS

The Council maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at June 30, 2019 was as follows:

	2019
Demand Deposits	\$ 1,648,077
U.S. Government Agency Securities	2,245,293
U.S. Treasuries	589,259
STAR Ohio	2,237,395
Money Market Mutual Fund	6,435
Total Investments	5,078,382
Total Deposits and Investments	\$ 6,726,459

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through 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.

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

Investments

The Federal Reserve holds the Council's U.S. Government Agency Securities and U.S Treasuries in book-entry form, in the name of the Council's financial institution. The financial institution maintains records identifying the Council as owner of these securities.

Investments in STAR Ohio and money market mutual funds are not evidenced by securities that exist in physical or book-entry form.

NOTE 4 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System (SERS)

Plan Description – Non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund in fiscal year 2019.

The Council has paid all contributions required through June 30, 2019.

State Teachers Retirement System (STRS)

Plan Description – Licensed teachers participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The Council has paid all contributions required through June 30, 2019.

NOTE 5 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – SERS administers the SERS Health Care Fund for non-certificated retirees and their beneficiaries. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents.

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the Council’s surcharge obligation was \$3,494.

State Teachers Retirement System

Plan Description – STRS administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

NOTE 6 - RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- Education Liability
- General Liability
- Automobile Liability

NOTE 7 - BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,700	\$10,474	\$774
Special Revenue	2,545,000	2,320,206	(224,794)
Internal Service	10,155,000	10,591,201	436,201
Total	\$12,709,700	\$12,921,881	\$212,181

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)**

2019 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$12,850	\$9,675	\$3,175
Special Revenue	2,613,751	2,613,751	
Internal Service	12,167,993	11,417,869	750,124
Total	<u>\$14,794,594</u>	<u>\$14,041,295</u>	<u>\$753,299</u>

NOTE 8 - COMMITMENTS

Commitments

During the fiscal year ended June 30, 2002, the Council undertook feasibility studies and solicited bids for a dedicated fiber optic line connecting all the member districts to NWOCA. This project was completed in three geographic areas (phases), that were all finalized prior to June 30, 2004. Construction, maintenance and leasing costs for this network are to be financed by fees assessed the member districts. The Council committed to lease a part of the fiber optic line in Phase One of the network and construct the remainder. The leased portion of Phase One calls for maintenance charges over the twenty-year term of the lease ending in January 2022. As of June 30, 2019, total maintenance charges of \$6,555 are due over the remaining term of the lease. The Council committed to leasing the fiber optic line in Phase Two, for which the Council entered into two lease agreements. The first lease agreement calls for maintenance charges over the twenty-year term of the lease ending in July 2022. As of June 30, 2019, total maintenance charges of \$35,674 are due over the remaining term of the lease. The second lease called for maintenance charges over the first fifteen years of the lease and ended in November 2017. There are no commitments related to Phase Three.

On August 29, 2016 the Council executed an amended and restated lease agreement with the Northwest Ohio Educational Service Center (NWOESC) for office space at the Archbold facility. Per the terms of the lease, the NWOESC and the Council will share equally in all ongoing maintenance of the facility. The Council will pay an annual administration fee to the NWOESC for overseeing the financial obligations maintaining the facility. Total payments to NWOESC for maintenance and the annual administration fee were \$106,554 for fiscal year 2019.

NOTE 9 - CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Council are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 10 - SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Council. In addition, the impact on the Council's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.



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

Northern Buckeye Education Council
Fulton County
209 Nolan Parkway
Archbold, Ohio 43502

To the Board of Directors:

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 cash balances, receipts, and disbursements by fund type of Northern Buckeye Education Council, Fulton County, Ohio (the Council) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, wherein we noted the Council followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Council.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council'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 Council'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. 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*.

Council's Response to Finding

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Council's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 13, 2021

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2020-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The following errors were identified for the fiscal year ended June 30, 2020:

- General fund subsequent year appropriations in excess of estimated receipts were improperly classified as unassigned fund balance instead of assigned in the amount of \$1,250.
- Special Revenue restricted fund balance was overstated by \$146,465 and unrestricted fund balance was understated by \$146,465.
- The Northern Ohio Virtual Academy (NOVA) fund (022) which accounts for the operations of a multi-district virtual academy, should be reported as an internal service fund. The fund was originally reported as an agency fund. This resulted in an understatement of internal service fund operating cash receipts, operating cash disbursements and other financing sources by \$252,250, \$497,835, and \$423,326, respectively. The agency fund operating cash receipts and operating cash disbursements were overstated by \$675,576 and \$497,835, respectively.
- Receipts reported in the “2020 Budgeted vs. Actual Receipts” footnote did not properly report the NOVA fund (022-9400) which should be reported as an internal service fund, instead of agency as originally reported. Internal service budgeted and actual receipts were understated by \$678,890 and \$675,576, respectively. Agency budgeted and actual receipts were overstated by \$678,890 and \$675,576, respectively.

The following errors were identified for the fiscal year ended June 30, 2019:

- General fund subsequent year appropriations in excess of estimated receipts were improperly classified as unassigned fund balance instead of assigned in the amount of \$4,500.
- Special Revenue restricted fund balance was overstated by \$224,794 and unrestricted fund balance was understated by \$224,794.

These errors were not identified and corrected prior to the Council preparing its financial statements due to deficiencies in the Council’s internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes.

In addition to the adjustments noted above, we also identified additional misstatements ranging from \$2,459 to \$100,000 that we have brought to the Council’s attention.

To help ensure the Council’s financial statements and notes to the financial statements are complete and accurate the Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Treasurer and Board of Directors, to help identify and correct errors and omissions. In addition, the Treasurer should review Ohio Auditor of State Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

Officials' Response:

Management is aware and understands the importance of the information presented on the financial statements and will ensure these errors will be accurately identified and reported.

Northern Buckeye Education Council

Serving Public Educational Entities of Northwest Ohio

Defiance-Fulton-Henry-Williams Counties

209 Nolan Parkway Archbold, OH 43502

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Finding first reported in 2016. Material weakness due to financial statement reporting errors.	Not corrected and reissued as Finding 2020-001 in this report.	Additional errors occurred which were not detected by management. Management is aware and understands the importance of the information presented on the financial statements and will ensure these errors will be accurately identified and reported.

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OHIO AUDITOR OF STATE KEITH FABER



NORTHERN BUCKEYE EDUCATION COUNCIL

FULTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/2/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov