

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2002 AND 2001



**Auditor of State
Betty Montgomery**

Board of Directors
Northern Buckeye Education Council
22900 State Route 34
Archbold, Ohio 43502-9517

We have reviewed the Independent Auditor's Report of the Northern Buckeye Education Council, Henry County, prepared by Weber Obrien Ltd, for the audit period July 1, 2000 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Northern Buckeye Education Council is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 12, 2003

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NORTHERN BUCKEYE EDUCATION COUNCIL

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northern Buckeye Education Council
Henry County
22900 State Route 34
Archbold, Ohio 43502-9517

We have audited the accompanying financial statements of Northern Buckeye Education Council, Henry County, Ohio (the Council), as of and for the years ended June 30, 2002 and 2001, as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Northern Buckeye Education Council, Henry County, Ohio as of June 30, 2002 and 2001, and its combined cash receipts and cash disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2002 on our consideration of the Northern Buckeye Education Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Northern Buckeye Education Council
Henry County
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This report is intended solely for the information of and use of the Board of Directors, management and others within the Council, and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Weker. O'Brien Ltd

December 23, 2002

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
For the Year Ended June 30, 2002

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	(Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	Total
Cash Receipts:					
Intergovernmental	\$ -	\$ 1,153,630	\$ 865,950	\$ -	\$ 2,019,580
Charges for Services	-	1,158,969	-	-	1,158,969
Classroom Materials and Fees	10,200	-	-	-	10,200
Earnings on Investments	1,873	-	-	-	1,873
Miscellaneous	6,917	-	-	9,080	15,997
Total Cash Receipts	18,990	2,312,599	865,950	9,080	3,206,619
Cash Disbursements:					
Supporting Services:					
Administration	22,411	-	-	-	22,411
Fiscal Services	769	4,000	-	-	4,769
Central	-	2,656,663	849,352	9,468	3,515,483
Total Cash Disbursements	23,180	2,660,663	849,352	9,468	3,542,663
Total Receipts Over/(Under) Disbursements	(4,190)	(348,064)	16,598	(388)	(336,044)
Other Financing Sources/(Uses):					
Refund of Prior Year Expenditures	-	375	-	-	375
Transfers-In	-	786	-	-	786
Other Uses	-	(706)	-	-	(706)
Total Other Financing Sources/(Uses)	-	455	-	-	455
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Uses	(4,190)	(347,609)	16,598	(388)	(335,589)
Fund Cash Balances, July 1, 2001	30,694	1,336,069	417,187	1,276	1,785,226
Fund Cash Balances, June 30, 2002	\$ 26,504	\$ 988,460	\$ 433,785	\$ 888	\$ 1,449,637
Reserve for Encumbrances, June 30, 2002	\$ 2,677	\$ 66,163	\$ 45,072	\$ 1,692	\$ 115,604

"The Accompanying Notes are an Integral
Part of These Financial Statements"

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
For the Year Ended June 30, 2002

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 19,188,769	\$ 6,364,451	\$ 2,542,806	\$ 28,096,026
Miscellaneous	25,000	-	2,450	27,450
Total Operating Cash Receipts	<u>19,213,769</u>	<u>6,364,451</u>	<u>2,545,256</u>	<u>28,123,476</u>
Operating Cash Disbursements:				
Personal Services	-	2,335,271	307,108	2,642,379
Employees' Retirement and Insurance	182,014	641,719	75,427	899,160
Purchased Services	1,640,612	1,381,410	834,290	3,856,312
Supplies and Materials	8,473	125,793	1,227,462	1,361,728
Capital Outlay	-	1,187,555	6,766	1,194,321
Medical Benefits to Members' Employees	18,559,584	-	-	18,559,584
Miscellaneous	-	93,650	2,019	95,669
Total Operating Cash Disbursements	<u>20,390,683</u>	<u>5,765,398</u>	<u>2,453,072</u>	<u>28,609,153</u>
Operating Income/(Loss)	<u>(1,176,914)</u>	<u>599,053</u>	<u>92,184</u>	<u>(485,677)</u>
Non-operating Cash Receipts:				
Intergovernmental Revenues	-	3,272,015	-	3,272,015
Earnings on Investments	378,308	215,351	142,334	735,993
Refund of Prior Year Expenditures	199,569	15,742	-	215,311
Refund of Prior Year Receipts	-	(40,388)	(1,000)	(41,388)
Sale and Loss of Assets	-	556	-	556
Total Non-operating Cash Receipts	<u>577,877</u>	<u>3,463,276</u>	<u>141,334</u>	<u>4,182,487</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	<u>(599,037)</u>	<u>4,062,329</u>	<u>233,518</u>	<u>3,696,810</u>
Transfers-In	-	-	227,318	227,318
Transfers-Out	-	(786)	(227,318)	(228,104)
Net Receipts Over/(Under) Disbursements	<u>(599,037)</u>	<u>4,061,543</u>	<u>233,518</u>	<u>3,696,024</u>
Fund Cash Balances, July 1, 2001	<u>9,016,267</u>	<u>3,659,142</u>	<u>1,471,997</u>	<u>14,147,406</u>
Fund Cash Balances, June 30, 2002	<u>\$ 8,417,230</u>	<u>\$ 7,720,685</u>	<u>\$ 1,705,515</u>	<u>\$ 17,843,430</u>
Reserve for Encumbrances, June 30, 2002	<u>\$ 175,504</u>	<u>\$ 1,948,634</u>	<u>\$ 181,107</u>	<u>\$ 2,305,245</u>

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NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
For the Year Ended June 30, 2001

	GOVERNMENTAL FUND TYPES			FIDUCIARY	(Memorandum
	General	Special Revenue	Capital Projects	FUND TYPE Expendable Trust	Only) Total
Cash Receipts:					
Intergovernmental	\$ -	\$ 1,685,052	\$ -	\$ -	\$ 1,685,052
Charges for Services	-	1,297,565	-	-	1,297,565
Classroom Materials and Fees	10,000	-	-	-	10,000
Earnings on Investments	3,240	-	-	6,008	9,248
Miscellaneous	9,000	-	15,000	8,269	32,269
Total Cash Receipts	22,240	2,982,617	15,000	14,277	3,034,134
Cash Disbursements:					
Supporting Services:					
Administration	40,807	-	-	-	40,807
Fiscal Services	781	9,000	-	-	9,781
Central	-	3,130,561	202,923	8,260	3,341,744
Total Cash Disbursements	41,588	3,139,561	202,923	8,260	3,392,332
Total Receipts Over/(Under) Disbursements	(19,348)	(156,944)	(187,923)	6,017	(358,198)
Other Financing Sources/(Uses):					
Refund of Prior Year Expenditures	-	799	55	-	854
Transfers-In	-	105,785	20	-	105,805
Transfers-Out	-	(93,804)	-	(222,051)	(315,855)
Total Other Financing Sources/(Uses)	-	12,780	75	(222,051)	(209,196)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Uses	(19,348)	(144,164)	(187,848)	(216,034)	(567,394)
Fund Cash Balances, July 1, 2000	50,042	1,480,233	605,035	217,310	2,352,620
Fund Cash Balances, June 30, 2001	\$ 30,694	\$ 1,336,069	\$ 417,187	\$ 1,276	\$ 1,785,226
Reserve for Encumbrances, June 30, 2001	\$ -	\$ 199,672	\$ 18,143	\$ 2,694	\$ 220,509

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NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
For the Year Ended June 30, 2001

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 17,321,264	\$ 2,464,697	\$ 3,990,554	\$ 23,776,515
Miscellaneous	26,500	4,664	1,950	33,114
Total Operating Cash Receipts	<u>17,347,764</u>	<u>2,469,361</u>	<u>3,992,504</u>	<u>23,809,629</u>
Operating Cash Disbursements:				
Personal Services	-	2,044,479	239,392	2,283,871
Employees' Retirement and Insurance	247,132	542,079	59,436	848,647
Purchased Services	1,430,490	1,125,632	649,175	3,205,297
Supplies and Materials	9,505	106,943	3,030,361	3,146,809
Capital Outlay	-	1,271,686	18,350	1,290,036
Medical Benefits to Members' Employees	17,087,923	-	-	17,087,923
Miscellaneous	-	85,259	1,615	86,874
Total Operating Cash Disbursements	<u>18,775,050</u>	<u>5,176,078</u>	<u>3,998,329</u>	<u>27,949,457</u>
Operating Income/(Loss)	<u>(1,427,286)</u>	<u>(2,706,717)</u>	<u>(5,825)</u>	<u>(4,139,828)</u>
Non-operating Cash Receipts:				
Intergovernmental Revenues	-	3,668,074	-	3,668,074
Earnings on Investments	681,769	255,743	186,047	1,123,559
Refund of Prior Year Expenditures	327,133	19,053	2,844	349,030
Total Non-operating Cash Receipts	<u>1,008,902</u>	<u>3,942,870</u>	<u>188,891</u>	<u>5,140,663</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(418,384)	1,236,153	183,066	1,000,835
Transfers-In	223,139	-	250,000	473,139
Transfers-Out	<u>(1,089)</u>	<u>-</u>	<u>(262,000)</u>	<u>(263,089)</u>
Net Receipts Over/(Under) Disbursements	(196,334)	1,236,153	171,066	1,210,885
Fund Cash Balances, July 1, 2000	<u>9,212,601</u>	<u>2,422,989</u>	<u>1,300,931</u>	<u>12,936,521</u>
Fund Cash Balances, June 30, 2001	<u>\$ 9,016,267</u>	<u>\$ 3,659,142</u>	<u>\$ 1,471,997</u>	<u>\$ 14,147,406</u>
Reserve for Encumbrances, June 30, 2001	<u>\$ 38,434</u>	<u>\$ 645,591</u>	<u>\$ 92,912</u>	<u>\$ 776,937</u>

"The Accompanying Notes are an Integral
Part of These Financial Statements"

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2002 and 2001**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

The Northern Buckeye Education Council (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 ten 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 manages life, dental and health insurance benefit programs; provides data processing services through its Northwest Ohio Computer Association (NWOCA) subsidiary; offers a Workers' Compensation Group Rating Program; assists in the preparation of financial reports and offers 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.

Basis of Accounting

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

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

Fund Accounting

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

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds - These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Council had the following significant special revenue fund:

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2002 and 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

MCOECN-INFOhio Fund - Accounts for the financial activity of the INFOhio Project of the Management Council of the Ohio Educational Computer Network (MCOECN). The Northern Buckeye Education Council acts as fiscal agent for this project.

Capital Project Funds - These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Council had the following significant capital project funds:

SchoolNet Grant Fund - Accounts for the activity of providing internet access to the classroom.

Telecommunity Grant Fund - Accounts for the activity of providing distance learning, hardware acquisition, and program development for the integration of technology into the classroom.

Enterprise Funds - These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Council had the following significant enterprise fund:

Partially Self-Funded Health Insurance Fund - Accounts for the activity of providing medical insurance benefits to employees of member entities.

Internal Service Funds - The Internal Service Funds account 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) - Accounts for the activity of providing data processing services to member entities.

Fiduciary Funds (Trust and Agency Fund) - Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Council to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Council is acting in an agency capacity are classified as agency funds. The Council had the following significant fiduciary funds:

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2002 and 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

MCOECN Fund - Accounts for the financial activity of the Management Council of the Ohio Education Computer Network (MCOECN). The Northern Buckeye Education Council acts as fiscal agent for MCOECN.

NBEC Member Medical Expense Reimbursement Fund - Accounts for the activity of a supplemental health insurance program used to reimburse certain employees affected by a change in the health insurance plan.

Cash and Investments

Certificates of deposit, repurchase agreements and U.S. Treasury Notes are valued at cost. The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Budgetary Process

The Council is not required by law to budget its funds. The Council does, however, use the following procedures to control the expenditure of Council monies:

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council annually approves appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of July 1.

Encumbrances - The Council reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of fiscal 2002 and 2001 budgetary activity appears in Note 3.

Property, Plant and Equipment

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

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2002 and 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Unpaid Vacation and Sick Leave

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

Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

The Council maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 was as follows:

	<u>2002</u>	<u>2001</u>
Demand Deposits	(\$ 937,980)	(\$ 909,242)
Certificates of Deposit	<u>4,687,152</u>	<u>6,553,259</u>
Total Deposits	3,749,172	5,644,017
Treasury Notes	11,249,770	7,453,994
STAROhio	4,055,092	2,749,886
Repurchase Agreements	<u>239,033</u>	<u>84,735</u>
Total Investments	<u>15,543,895</u>	<u>10,288,615</u>
Total Deposits and Investments	<u>\$19,293,067</u>	<u>\$15,932,632</u>

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2002 and 2001

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS, Continued

Deposits

At June 30, 2002 the carrying amount of the Council's deposits was \$3,749,172 and the bank balance was \$4,722,000. At June 30, 2001 the carrying amount of the Council's deposits was \$5,644,017 and the bank balance was \$6,687,000. Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Council, or (3) collateralized by the financial institution's public entity deposit pool. Of the bank balances \$400,000 and \$400,000 as of June 30, 2002 and 2001, respectively, was covered by federal and depository insurance and the uninsured bank balance was secured by collateralized pools securing all public funds on deposit with specific financial institutions.

Investments

The Council's investments are categorized to give an indication of the level of risk assumed by the Council at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Council or its agent in the Council's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Council's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Council's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

<u>Investments- June 30, 2002</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
STAROhio		\$ 4,055,092	\$ 4,055,092
Treasury Notes	\$11,249,770	11,249,770	11,308,785
Repurchase Agreements	<u>239,033</u>	<u>239,033</u>	<u>239,033</u>
	<u>\$11,488,803</u>	<u>\$15,543,895</u>	<u>\$15,602,910</u>
<u>Investments- June 30, 2001</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
STAROhio		\$ 2,749,886	\$ 2,749,886
Treasury Notes	\$ 7,453,994	7,453,994	7,450,000
Repurchase Agreements	<u>84,735</u>	<u>84,735</u>	<u>84,735</u>
	<u>\$ 7,538,729</u>	<u>\$10,288,615</u>	<u>\$10,284,621</u>

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2002 and 2001**

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ended June 30, 2002 and June 30, 2001 was as follows:

2002 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 16,750	\$ 18,990	\$ 2,240
Special Revenue	2,361,191	2,313,760	(47,431)
Capital Projects	865,950	865,950	-0-
Enterprise	20,038,800	19,791,646	(247,154)
Internal Service	7,586,812	9,868,114	2,281,302
Fiduciary	2,867,949	2,923,988	56,039
Total	\$ 33,737,452	\$ 35,782,448	\$ 2,044,996

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 44,200	\$ 25,857	\$ 18,343
Special Revenue	3,485,587	2,727,532	758,055
Capital Projects	1,301,280	894,424	406,856
Enterprise	21,345,911	20,566,187	779,724
Internal Service	9,807,971	7,755,206	2,052,765
Fiduciary	3,324,622	2,873,657	450,965
Total	\$ 39,309,571	\$ 34,842,863	\$ 4,466,708

2001 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 12,750	\$ 22,240	\$ 9,490
Special Revenue	3,338,613	3,089,201	(249,412)
Capital Projects	20	15,074	15,054
Enterprise	18,468,060	18,579,805	111,745
Internal Service	4,617,341	6,412,231	1,794,890
Fiduciary	4,407,882	4,445,823	37,941
Total	\$ 30,844,666	\$ 32,564,374	\$ 1,719,708

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2002 and 2001

NOTE 3 - BUDGETARY ACTIVITY, Continued

2001 Budgeted vs. Actual Budgetary Basis Expenditures				
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance	
General	\$ 50,342	\$ 41,588	\$ 8,754	
Special Revenue	4,031,855	3,433,037	598,818	
Capital Projects	632,510	221,066	411,444	
Enterprise	20,430,828	18,814,572	1,616,256	
Internal Service	6,842,440	5,821,670	1,020,770	
Fiduciary	5,217,082	4,586,397	630,685	
Total	\$ 37,205,057	\$ 32,918,330	\$ 4,286,727	

NOTE 4 - STATE TEACHERS RETIREMENT SYSTEM

The Council contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. Effective July 1, 2001, two new plan options were offered to new members or members with less than five years of service credit. Besides the defined benefit plan option ("DB Plan"), which provides retirement, disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries, these members can now elect a defined contribution ("DC Plan") and a combined plan option ("Combined Plan"). The DC Plan offers a lump-sum or lifetime monthly annuity retirement benefit. The Combined Plan offers a lump-sum or lifetime monthly annuity benefit based on member contributions and a defined benefit retirement and disability payment funded by employer contributions. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

For the fiscal years ended June 30, 2002 and 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The Council was required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Council's required contribution to STRS for the years ended June 30, 2002, 2001, and 2000, were \$120,742, \$88,340, and \$72,066, respectively; 100 percent has been contributed for fiscal years 2002, 2001 and 2000.

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2002 and 2001**

NOTE 5 - SCHOOL EMPLOYEES RETIREMENT SYSTEM

The Council contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

For the fiscal years ended June 30, 2002 and 2001, plan members were required to contribute 9% of their annual covered salary and the Council is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of the plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Council's required contribution to SERS for the years ended June 30, 2002, 2001, and 2000 were \$355,981, \$314,006, and \$318,560 respectively; 100 percent has been contributed for fiscal years 2002, 2001 and 2000.

NOTE 6 - POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents who participated in the Defined Benefit or Combined Plans. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of monthly premiums.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.011 billion on June 30, 2002.

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2002 and 2001**

NOTE 6 - POSTEMPLOYMENT BENEFITS, Continued

For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000. There were 105,300 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year ended June 30, 2002, the allocation rate is 8.54 percent; this rate was 9.80 percent in fiscal 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$335.2 million. The number of participants currently receiving health care benefits is approximately 50,000.

NOTE 7 - RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- Education Liability

Because the Council manages life, dental and health insurance benefit programs it has a potential liability for incurred but not yet reported claims (IBNR). IBNR claims are claims for insured events that have occurred but have not yet been reported to the third party administrator as of June 30, 2002. These claims include known loss events that are expected to later be presented as claims, unknown loss events that are expected to become claims, and expected future developments on claims already reported. This potential liability is estimated at \$3,038,700 as of June 30, 2002.

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2002 and 2001**

NOTE 7 - RISK MANAGEMENT, Continued

The Council has contracted for stop loss insurance on medical and prescription card benefits which limits the Council's liability to \$200,000 per participant per fiscal year and to an aggregate liability of \$23,124,000 and \$22,118,000 for the fiscal years ended June 30, 2002 and 2001, respectively.

NOTE 8 - DEFERRED COMPENSATION PLAN

The Council's employees participate in a statewide Deferred Compensation Plan created in accordance with Internal Revenue code Section 457. Participation is on a voluntary payroll deduction basis. The Plan is not available to employees until termination, retirement, death, or unforeseen emergency.

The Plan agreement states that the Northern Buckeye Education Council and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

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 is being conducted in three geographic areas (phases). Construction, maintenance and leasing costs for this network are to be financed by fees assessed the member districts, of which \$3,501,000 was received in fiscal 2002.

In January 2002, the Council committed to lease of a part of the fiber optic line in Phase One of the network and construction of the remainder. These construction commitments totalled \$803,000 at June 30, 2002. The leased portion of Phase One calls for a single payment of \$127,000 in fiscal 2003 and maintenance charges totalling \$41,000 over the twenty-year term of the lease.

In May 2002, the Council committed to leasing the fiber optic line in Phase Two. To this end, two lease agreements were entered into in July 2002 and November 2002. The first lease agreement runs twenty years and calls for total payments of \$936,000, of which \$730,000 is required in fiscal 2003, and the remaining \$206,000 is to be paid over the lease term for maintenance charges. The second lease agreement covering Phase Two calls for payments in fiscal 2003 and 2004 totalling \$2,065,000 as the segments of the fiber optic line covered by that lease are connected to the network. Maintenance fees

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2002 and 2001

NOTE 9 - COMMITMENTS AND CONTINGENCIES, Continued

totalling \$502,000 are to be paid over the first 15 years of the twenty-year term of this lease agreement.

In March 2002, the Council committed to construct the fiber optic line in Phase Three. Construction commitments totalled \$2,401,000 at June 30, 2002 for the network segments included in Phase Three.

Contingencies

The Council receives substantial financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types or on the combined fund cash balances or reserves for encumbrances of the Council at June 30, 2002 and 2001.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Northern Buckeye Education Council
22900 State Route 34
Archbold, Ohio 43502-9517

We have audited the financial statements of Northern Buckeye Education Council as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated December 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Northern Buckeye Education Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on the compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a immaterial instance of noncompliance that we have reported to management of Northern Buckeye Education Council in a separate letter dated December 23, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northern Buckeye Education Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by

Board of Directors
Page Two

employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of and use of the Board of Directors, management and others within the Council, and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Weber • O'Brien Ltd

Weber • O'Brien, Ltd.
December 23, 2002



**Auditor of State
Betty Montgomery**

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NORTHERN BUCKEYE EDUCATION COUNCIL

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 1, 2003**