

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2006 AND 2005



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Northern Buckeye Education Council, Henry County, prepared by Weber O'Brien, Ltd, for the audit period July 1, 2004 through June 30, 2006. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 19, 2007

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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, 2006 and 2005. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 more fully in Note 2, the Council has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States, the financial position of the Council as of December 31, 2006 and 2005, or its changes in financial position or cash flows, where applicable, for the years then ended.

Northern Buckeye Education Council
Henry County
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash and investment balances of the Northern Buckeye Education Council, Henry County, Ohio as of June 30, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2007 on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2006 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements of Northern Buckeye Education Council, Henry County, Ohio. Such information, which is the responsibility of the management of the Council, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



January 22, 2007

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH AND INVESTMENT BALANCES - ALL GOVERNMENTAL FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
As of And For the Year Ended June 30, 2006

	GOVERNMENTAL FUND TYPES			FIDUCIARY (Memorandum FUND TYPE Only)	Total
	General	Special Revenue	Capital Projects	Private Purpose Trust	
Cash Receipts:					
Intergovernmental	\$ -	\$ 1,808,821	\$ 769,223	\$ 7,068	\$ 2,585,112
Classroom Materials and Fees	10,000	-	-	-	10,000
Earnings on Investments	1,570	-	-	-	1,570
Miscellaneous	6,496	853	-	12,685	20,034
Total Cash Receipts	18,066	1,809,674	769,223	19,753	2,616,716
Cash Disbursements:					
Supporting Services:					
Administration	14,906	-	-	-	14,906
Fiscal Services	979	600	-	-	1,579
Central	-	1,860,834	771,393	11,318	2,643,545
Total Cash Disbursements	15,885	1,861,434	771,393	11,318	2,660,030
Total Receipts Over/(Under) Disbursements	2,181	(51,760)	(2,170)	8,435	(43,314)
Other Financing Sources/(Uses):					
Refund of Prior Year Expenditures	-	648	-	-	648
Refund of Prior Year Receipts	-	(331,790)	-	-	(331,790)
Advances- Out	-	(30,000)	-	-	(30,000)
Total Other Financing Sources/(Uses)	-	(361,142)	-	-	(361,142)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Uses	2,181	(412,902)	(2,170)	8,435	(404,456)
Fund Cash and Investment Balances, July 1, 2005	45,948	1,221,934	136,923	1,749	1,406,554
Fund Cash and Investment Balances, June 30, 2006	\$ 48,129	\$ 809,032	\$ 134,753	\$ 10,184	\$ 1,002,098

"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 AND INVESTMENT BALANCES - ALL PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
As of And For the Year Ended June 30, 2006

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 33,828,112	\$ 3,651,710	\$ 4,434,431	\$ 41,914,253
Classroom Materials and Fees	30,500	-	-	30,500
Total Operating Cash Receipts	<u>33,858,612</u>	<u>3,651,710</u>	<u>4,434,431</u>	<u>41,944,753</u>
Operating Cash Disbursements:				
Personal Services	-	2,739,719	418,724	3,158,443
Retirement and Insurance	209,775	912,292	102,283	1,224,350
Purchased Services	1,862,714	2,579,055	2,491,491	6,933,260
Supplies and Materials	22,047	126,571	1,185,086	1,333,704
Capital Outlay	1,214	821,990	6,106	829,310
Medical Benefits to Members' Employees	25,252,505	-	-	25,252,505
Miscellaneous	-	67,339	3,125	70,464
Total Operating Cash Disbursements	<u>27,348,255</u>	<u>7,246,966</u>	<u>4,206,815</u>	<u>38,802,036</u>
Operating Income/(Loss)	<u>6,510,357</u>	<u>(3,595,256)</u>	<u>227,616</u>	<u>3,142,717</u>
Non-operating Cash Receipts:				
Intergovernmental Revenues	-	4,225,349	81,000	4,306,349
Earnings on Investments	344,045	464,108	88,052	896,205
Miscellaneous	-	-	-	-
Proceeds on Sale of Assets	-	1,291	-	1,291
Refund of Prior Year Receipts	-	-	(1,995)	(1,995)
Refund of Prior Year Expenditures	585,847	30,200	408	616,455
Total Non-operating Cash Receipts	<u>929,892</u>	<u>4,720,948</u>	<u>167,465</u>	<u>5,818,305</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	<u>7,440,249</u>	<u>1,125,692</u>	<u>395,081</u>	<u>8,961,022</u>
Transfers-In	-	-	160,500	160,500
Advances- In	-	140,000	15,000	155,000
Transfers-Out	-	-	(160,500)	(160,500)
Advances- Out	-	(110,000)	(15,000)	(125,000)
Net Receipts Over/(Under) Disbursements	<u>7,440,249</u>	<u>1,155,692</u>	<u>395,081</u>	<u>8,991,022</u>
Fund Cash and Investment Balances, July 1, 2005	<u>7,158,704</u>	<u>6,469,112</u>	<u>1,987,148</u>	<u>15,614,964</u>
Fund Cash and Investment Balances, June 30, 2006	<u>\$ 14,598,953</u>	<u>\$ 7,624,804</u>	<u>\$ 2,382,229</u>	<u>\$ 24,605,986</u>

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NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH AND INVESTMENT BALANCES - ALL GOVERNMENTAL FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
As of And For the Year Ended June 30, 2005

	GOVERNMENTAL FUND TYPES			FIDUCIARY (Memorandum FUND TYPE Only)	Total
	General	Special Revenue	Capital Projects	Private Purpose Trust	
Cash Receipts:					
Intergovernmental	\$ -	\$ 1,168,141	\$ 769,223	\$ -	\$ 1,937,364
Classroom Materials and Fees	10,000	-	-	-	10,000
Earnings on Investments	1,158	-	-	-	1,158
Miscellaneous	18,760	62,755	-	10,868	92,383
Total Cash Receipts	29,918	1,230,896	769,223	10,868	2,040,905
Cash Disbursements:					
Supporting Services:					
Administration	27,482	-	-	-	27,482
Fiscal Services	972	2,760	-	-	3,732
Central	-	1,356,363	781,867	10,603	2,148,833
Total Cash Disbursements	28,454	1,359,123	781,867	10,603	2,180,047
Total Receipts Over/(Under) Disbursements	1,464	(128,227)	(12,644)	265	(139,142)
Other Financing Sources/(Uses):					
Advances- In	-	30,000	-	-	30,000
Total Other Financing Sources/(Uses)	-	30,000	-	-	30,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Uses	1,464	(98,227)	(12,644)	265	(109,142)
Fund Cash and Investment Balances, July 1, 2004	44,484	1,320,161	149,567	1,484	1,515,696
Fund Cash and Investment Balances, June 30, 2005	\$ 45,948	\$ 1,221,934	\$ 136,923	\$ 1,749	\$ 1,406,554

"The Accompanying Notes are an Integral
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NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH AND INVESTMENT BALANCES - ALL PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
As of And For the Year Ended June 30, 2005

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 29,371,334	\$ 3,598,472	\$ 3,972,536	\$ 36,942,342
Classroom Materials and Fees	29,000	-	-	29,000
Total Operating Cash Receipts	<u>29,400,334</u>	<u>3,598,472</u>	<u>3,972,536</u>	<u>36,971,342</u>
Operating Cash Disbursements:				
Personal Services	-	2,531,543	413,826	2,945,369
Retirement and Insurance	184,653	827,045	109,505	1,121,203
Purchased Services	1,999,668	1,831,863	2,252,929	6,084,460
Supplies and Materials	29,116	399,101	1,563,625	1,991,842
Capital Outlay	818	635,698	96,197	732,713
Medical Benefits to Members' Employees	27,431,608	-	-	27,431,608
Miscellaneous	-	54,003	5,002	59,005
Total Operating Cash Disbursements	<u>29,645,863</u>	<u>6,279,253</u>	<u>4,441,084</u>	<u>40,366,200</u>
Operating Income/(Loss)	<u>(245,529)</u>	<u>(2,680,781)</u>	<u>(468,548)</u>	<u>(3,394,858)</u>
Non-operating Cash Receipts:				
Intergovernmental Revenues	-	3,062,015	-	3,062,015
Earnings on Investments	163,416	157,323	87,933	408,672
Proceeds on Sale of Assets	-	130	-	130
Refund of Prior Year Expenditures	848,603	39,801	1,023	889,427
Miscellaneous	-	-	-	-
Total Non-operating Cash Receipts	<u>1,012,019</u>	<u>3,259,269</u>	<u>88,956</u>	<u>4,360,244</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	766,490	578,488	(379,592)	965,386
Transfers-In	-	-	150,000	150,000
Advances- In	-	-	40,000	40,000
Transfers-Out	-	-	(150,000)	(150,000)
Advances- Out	-	(30,000)	(40,000)	(70,000)
Net Receipts Over/(Under) Disbursements	766,490	548,488	(379,592)	935,386
Fund Cash and Investment Balances, July 1, 2004	<u>6,392,210</u>	<u>5,920,623</u>	<u>2,366,741</u>	<u>14,679,574</u>
Fund Cash and Investment Balances, June 30, 2005	<u>\$ 7,158,700</u>	<u>\$ 6,469,111</u>	<u>\$ 1,987,149</u>	<u>\$ 15,614,960</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, 2006 and 2005**

NOTE 1 - REPORTING ENTITY

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 and 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Council's financial statements are prepared using an other comprehensive basis of accounting, as prescribed or permitted by the Auditor of State. Except for modifications having substantial support, receipts are recorded in the Council's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Council are described in the appropriate section in this note.

As a result of the use of this other comprehensive basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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.

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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:

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 (Private Purpose Trust and Agency Fund) - Private purpose trust funds are used to account for trust arrangements under which the principal and income from the trust may only be used for the benefit of those individuals, private organizations, or other governments designated by the trust arrangement. 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, 2006 and 2005**

NOTE 2 - 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. The Council acts as trustee.

Budgetary Process

The Council is not required by law to budget its funds. The Council does, however, pass an annual administrative budget.

Cash and Investments

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

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

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.

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 used by the Council.

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

The Council maintains a cash and investments pool used by all funds. The carrying amount of cash and investments at June 30 was as follows:

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2006 and 2005

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS, Continued

	<u>2006</u>	<u>2005</u>
Demand Deposits	(\$ 656,069)	(\$ 722,029)
Savings Account	7,571,918	1,771,544
Certificates of Deposit	<u>1,516,005</u>	<u>1,000,000</u>
Total Deposits	8,431,854	2,049,515
U.S. Government Agency Securities	15,744,050	13,999,688
STAROhio	1,150,973	524,978
Repurchase Agreements	<u>281,208</u>	<u>447,333</u>
Total Investments	<u>17,176,231</u>	<u>14,971,999</u>
Total Deposits and Investments	<u>\$25,608,085</u>	<u>\$17,021,514</u>

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Council will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of June 30, 2006 and 2005, the bank balance of the Council's deposits was \$9,273,319 and \$3,063,749, respectively. Deposits are either insured by the Federal Depository Insurance Corporation or secured by collateralized pools securing all public funds on deposit with specific financial institutions.

Investments

The Federal Reserve holds the Council's U.S. Government Agency securities 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 are not evidenced by securities that exist in physical or book-entry form. Securities subject to an overnight repurchase agreement are held by the Council's financial institution, but not in the Council's name. The Council's financial institution maintains records identifying the Council as the owner of these securities.

NOTE 4 -RETIREMENT SYSTEMS

Certified teachers employed by the Council participate in the State Teachers Retirement System of Ohio (STRS). The Council's other employees belong to the School Employees Retirement System of Ohio (SERS). STRS and SERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2006 and 2005

NOTE 4 -RETIREMENT SYSTEMS, Continued

Contribution rates are also prescribed by the Ohio Revised Code. For the years ended June 30, 2006 and 2005, STRS members contributed 10.00 percent of their wages and the Council contributed an amount equal to 14.00 percent of participants' gross salaries. SERS members contributed 10.00 percent of their wages and the Council contributed an amount equal to 14.00 percent of participants' gross salaries. The Council has paid all required contributions through June 30, 2006.

NOTE 5 - RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- Education Liability
- General Liability
- Automobile Liability

The Council manages a self insurance benefit plan for its members. The plan provides life, dental and health insurance benefits. The plan contracts with third party administrators to process and pay covered benefit claims incurred by its member's employees. The plan pays covered claims to service providers, and recovers these costs from charges to its members based on an actuarially determined cost per employee.

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, 2006 and 2005. 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. A comparison of cash and investments available to pay plan benefits to the actuarially-measured liability as of December 31 is as follows:

	<u>2006</u>	<u>2005</u>
Cash and investments	\$14,558,607	\$7,116,306
Actuarial liabilities	\$ 3,428,000	\$3,546,000

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 \$23,858,018 and \$29,255,950 for the fiscal years ended June 30, 2006 and 2005, respectively.

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2006 and 2005**

NOTE 6 - 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 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 of 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 totaling \$35,700 over the remaining sixteen-year 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 runs twenty years, and remaining maintenance charges under the agreement totaled \$184,400 to be paid over the next seventeen years. The second lease agreement covering Phase Two calls for maintenance fees totaling \$413,200 are to be paid over the next 13 years. There are no commitments related to Phase Three after completion of its construction.

Contingencies

The Council receives substantial financial assistance from various 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 are 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 Council at June 30, 2006 and 2005.



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

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

We have audited the financial statements of Northern Buckeye Education Council, Henry County, Ohio (the Council), as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated January 22, 2007, in which we noted that the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

This report is intended solely for the information of and use of the Council's Board of Directors, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Weber O'Brien Ltd.

January 22, 2007



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Northern Buckeye Education Council, Henry County, Ohio, (the Council) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of and use of the Council's Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Michael O'Brien Ltd.

January 22, 2007

**NORTHERN BUCKEYE EDUCATION COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CASH BASIS)
YEAR ENDED JUNE 30, 2006**

<u>Federal Grantor/Pass –Through Grantor Program Titles</u>	<u>Project Name</u>	<u>CFDA Number</u>	<u>Program Award Amount</u>	<u>Grant Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass through Ohio Department of Education:				
Special Education Grants to States	eSIS Special Education Project Management	84.027	\$ 127,857	\$ 82,347
	Special Education Software Project	84.027	188,054	10,871
	eSIS Special Education Software- AAL/SPED	84.027	<u>605,000</u>	<u>535,830</u>
TOTAL DEPARTMENT OF EDUCATION			\$ <u>920,911</u>	\$ <u>629,048</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>920,911</u>	\$ <u>629,048</u>

**NORTHERN BUCKEYE EDUCATION COUNCIL
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<u>Unqualified, regulatory basis; Adverse, GAAP</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	<u> X </u> no
Reportable condition(s) identified not considered to be material weaknesses?	_____ yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____ yes	<u> X </u> no
Reportable conditions(s) identified not considered to be material weaknesses?	_____ yes	<u> X </u> none reported

Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ yes	<u> X </u> no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Grants to States

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low risk auditee?	_____ yes	<u> X </u> no
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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**NORTHERN BUCKEYE EDUCATION COUNCIL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2006**

NONE



Mary Taylor, CPA
Auditor of State

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
JULY 3, 2007**