



Dave Yost • Auditor of State

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Fiscal Year Ended June 30, 2018	3
Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis) – Proprietary Fund Type – For the Fiscal Year Ended June 30, 2018	4
Notes to the Financial Statements – For the Year Ended June 30, 2018	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Fiscal Year Ended June 30, 2017	11
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types – For the Fiscal Year Ended June 30, 2017	12
Notes to the Financial Statements – For the Fiscal Year Ended June 30, 2017.....	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21
Prepared by Management:	
Summary Schedule of Prior Audit Findings	22

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Dave Yost • Auditor of State

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, 2018 and 2017.

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, 2018 and 2017, 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 Northern Buckeye Education Council, Fulton County, Ohio as of June 30, 2018 and 2017, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018, 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.



Dave Yost
Auditor of State

Columbus, Ohio

November 29, 2018

**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, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Membership Fees	\$9,500		\$9,500
Intergovernmental		\$2,202,916	2,202,916
Earnings on Investments	607		607
<i>Total Cash Receipts</i>	<u>10,107</u>	<u>2,202,916</u>	<u>2,213,023</u>
Cash Disbursements			
Supporting Services:			
Administration	1,454		1,454
Fiscal Services	624		624
Technical		2,209,321	2,209,321
<i>Total Cash Disbursements</i>	<u>2,078</u>	<u>2,209,321</u>	<u>2,211,399</u>
<i>Net Change in Fund Cash Balances</i>	8,029	(6,405)	1,624
<i>Fund Cash Balances, July 1</i>	<u>51,048</u>	<u>75,156</u>	<u>126,204</u>
Fund Cash Balances, June 30			
Restricted		68,751	68,751
Assigned	3,150		3,150
Unassigned	55,927		55,927
<i>Fund Cash Balances, June 30</i>	<u>\$59,077</u>	<u>\$68,751</u>	<u>\$127,828</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, 2018

	Proprietary Fund Type
	Internal Service
Operating Cash Receipts	
Charges for Services	\$8,596,255
Operating Cash Disbursements	
Salaries	2,621,328
Employee Fringe Benefits	854,477
Purchased and Contracted Services	5,751,053
Supplies and Materials	3,922
Other	37,088
<i>Total Operating Cash Disbursements</i>	9,267,868
<i>Operating Loss</i>	(671,613)
Non-Operating Receipts (Disbursements)	
Intergovernmental	418,401
Earnings on Investments	62,504
Capital Outlay	(120,100)
Refund of Prior Year Disbursements	184,385
<i>Total Non-Operating Receipts (Disbursements)</i>	545,190
<i>Net Change in Fund Cash Balance</i>	(126,423)
<i>Fund Cash Balance, July 1</i>	6,758,205
<i>Fund Cash Balance, June 30</i>	\$6,631,782

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, 2018**

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 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; 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 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, 2018
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- 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 2018 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 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.

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

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:

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, 2018 was as follows:

**NORTHERN BUCKEYE EDUCATION COUNCIL
 FULTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (Continued)**

	2018
Demand Deposits	\$ 1,943,957
U.S. Government Agency Securities	2,788,321
STAR Ohio	2,019,508
Money Market Mutual Fund	7,824
Total Investments	4,815,653
Total Deposits and Investments	\$ 6,759,610

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

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 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

Some employees belong to the School Employees Retirement System (SERS). SERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. SERS members contributed 10 percent, of their gross salaries and the Council contributed an amount equaling 14 percent, of participants' gross salaries. The Council has paid all contributions required through June 30, 2018.

State Teachers Retirement System

Some employees belong to the State Teachers Retirement System (STRS). STRS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. STRS members contributed 14 percent, of their gross salaries and the Council contributed an amount equaling 14 percent, of participants' gross salaries. The Council has paid all contributions required through June 30, 2018.

NOTE 5 - POSTEMPLOYMENT BENEFITS

SERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical and prescription drug coverage, to qualifying benefit recipients. The portion of employer contributions allocated to health care for SERS members was 0.5 percent during fiscal year 2018.

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

STRS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, and Medicare Part B premium reimbursements, to qualifying benefit recipients. STRS did not allocate any employer contributions to health care for fiscal year 2017 (most recent information available).

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, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,700	\$10,107	\$407
Special Revenue	2,220,000	2,202,916	(17,084)
Internal Service	10,066,385	9,261,545	(804,840)
Total	\$12,296,085	\$11,474,568	(\$821,517)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$9,850	\$2,078	\$7,772
Special Revenue	2,295,156	2,278,072	17,084
Internal Service	11,850,603	10,719,926	1,130,677
Total	\$14,155,609	\$13,000,076	\$1,155,533

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 totaling \$28,800 over the remaining twelve-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 \$150,800 to be paid over the next thirteen years. The second lease agreement covering Phase Two calls for maintenance fees totaling \$279,200 to be paid over the next nine years. There are no commitments related to Phase Three after completion of its construction.

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

The Council leases office space under a noncancelable lease. On June 30, 2010 the Council entered into an amended lease agreement that expires August 17, 2034. Under the terms of the agreement, the Council pays annual lease payments of \$200,964 starting August 15, 2010 and continuing for 20 years.

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. On September 6, 2016, the Council paid NWOESC \$1,487,793, which represented payment in full for the Council's portion of 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 2018.

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.

**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, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Membership Fees	\$9,500		\$9,500
Intergovernmental		\$2,224,905	2,224,905
Earnings on Investments	369		369
<i>Total Cash Receipts</i>	<u>9,869</u>	<u>2,224,905</u>	<u>2,234,774</u>
Cash Disbursements			
Supporting Services:			
Administration	7,746		7,746
Fiscal Services	623		623
Technical		2,151,749	2,151,749
<i>Total Cash Disbursements</i>	<u>8,369</u>	<u>2,151,749</u>	<u>2,160,118</u>
<i>Net Change in Fund Cash Balances</i>	1,500	73,156	74,656
<i>Fund Cash Balances, July 1</i>	<u>49,548</u>	<u>2,000</u>	<u>51,548</u>
Fund Cash Balances, June 30			
Restricted		75,156	75,156
Assigned	150		150
Unassigned	50,898		50,898
<i>Fund Cash Balances, June 30</i>	<u>\$51,048</u>	<u>\$75,156</u>	<u>\$126,204</u>

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

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Internal Service	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$10,045,932		\$10,045,932
Miscellaneous	984		984
<i>Total Operating Cash Receipts</i>	<u>10,046,916</u>		<u>10,046,916</u>
Operating Cash Disbursements			
Salaries	2,439,042		2,439,042
Employee Fringe Benefits	780,458		780,458
Purchased Services	7,829,269		7,829,269
Supplies and Materials	6,585		6,585
Other	40,077		40,077
<i>Total Operating Cash Disbursements</i>	<u>11,095,431</u>		<u>11,095,431</u>
<i>Operating Loss</i>	<u>(1,048,515)</u>		<u>(1,048,515)</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	439,111	\$10,530	449,641
Earnings on Investments	43,121		43,121
Capital Outlay	(1,203,206)		(1,203,206)
Pass Through		(\$10,530)	(10,530)
Refund of Prior Year Disbursements	10,393		10,393
Refund of Prior Year Receipts	(147,760)		(147,760)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(858,341)</u>		<u>(858,341)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(1,906,856)</u>		<u>(1,906,856)</u>
<i>Fund Cash Balances, July 1</i>	<u>8,665,061</u>		<u>8,665,061</u>
<i>Fund Cash Balances, June 30</i>	<u><u>\$6,758,205</u></u>		<u><u>\$6,758,205</u></u>

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, 2017**

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 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; 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 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 combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary and fiduciary fund types 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, 2017
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Council's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Council disburses these funds as directed by the individual, organization or other government. The Council had the following significant Agency Fund:

eRate Pass Through Fund – The fund accounts for the receipt of Federal Universal Services Funds received on behalf of customer districts for eRate funding. All funds are passed through to appropriate district within 20 days of receipt of funds in compliance with FCC regulations.

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 2017 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 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.

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

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:

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, 2017 was as follows:

**NORTHERN BUCKEYE EDUCATION COUNCIL
 FULTON COUNTY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 (Continued)**

	2017
Demand Deposits	\$ 1,471,860
U.S. Government Agency Securities	3,139,741
STAR Ohio	2,260,439
Money Market Mutual Fund	12,369
Total Investments	5,412,549
Total Deposits and Investments	\$ 6,884,409

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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 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

Some employees belong to the School Employees Retirement System (SERS). SERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. SERS members contributed 10 percent, of their gross salaries and the Council contributed an amount equaling 14 percent, of participants' gross salaries. The Council has paid all contributions required through June 30, 2017.

State Teachers Retirement System

Some employees belong to the State Teachers Retirement System (STRS). STRS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. STRS members contributed 14 percent, of their gross salaries and the Council contributed an amount equaling 14 percent, of participants' gross salaries. The Council has paid all contributions required through June 30, 2017.

NOTE 5 - POSTEMPLOYMENT BENEFITS

SERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical and prescription drug coverage, to qualifying benefit recipients. STRS did not allocate any employer contributions to health care for fiscal year 2017.

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

STRS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, and Medicare Part B premium reimbursements, to qualifying benefit recipients. STRS did not allocate any employer contributions to health care for fiscal year 2017.

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, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,650	\$9,869	\$219
Special Revenue	2,239,500	2,224,905	(14,595)
Internal Service	10,193,500	10,539,541	346,041
Agency		10,530	10,530
Total	\$12,442,650	\$12,784,845	\$342,195

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$10,525	\$8,369	\$2,156
Special Revenue	2,241,500	2,226,905	14,595
Internal Service	15,017,945	13,553,733	1,464,212
Agency		10,530	(10,530)
Total	\$17,269,970	\$15,799,537	\$1,470,433

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 totaling \$28,800 over the remaining twelve-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 \$150,800 to be paid over the next thirteen years. The second lease agreement covering Phase Two calls for maintenance fees totaling

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

\$279,200 to be paid over the next nine years. There are no commitments related to Phase Three after completion of its construction.

The Council leases office space under a noncancelable lease. On June 30, 2010 the Council entered into an amended lease agreement that expires August 17, 2034. Under the terms of the agreement, the Council pays annual lease payments of \$200,964 starting August 15, 2010 and continuing for 20 years.

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. On September 6, 2016, the Council paid NWOESC \$1,487,793, which represented payment in full for the Council's portion of 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 \$86,399 for fiscal year 2017.

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.



Dave Yost • Auditor of State

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

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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated November 29, 2018 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.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the 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 2018-001 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 determination of financial

statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Council's Response to Findings

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.

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

Dave Yost
Auditor of State

Columbus, Ohio

November 29, 2018

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

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.

We identified the following errors in the financial statements and/or notes to the financial statements for the fiscal year ended June 30, 2018:

- Budgetary expenditures reported in the budgetary note disclosure for the Special Revenue fund type were understated by \$68,751 and the Internal Service fund type were understated by \$1,331,958.
- Intrafund transfers of \$100,000 made within the Internal Service fund type were not eliminated.
- Intergovernmental revenues and pass-thru disbursements of \$10,530 for the Agency fund were improperly reported in 2018 when the amounts represented activity for the fiscal year ending June 30, 2017.

We identified the following error in the financial statements for the fiscal year ended June 30, 2017:

- Intrafund transfers of \$600,000 made within the Internal Service fund type were not eliminated.

These errors were not identified and corrected prior to the audit due to deficiencies in the Council's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Treasurer and Board of Directors and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

The financial statements and notes to the financial statements have been adjusted to correct these errors.

To help ensure the Council's financial statements are complete and accurate, the Treasurer should post all transactions in accordance with the guidance established by the Uniform School Accounting Manual issued by the Auditor of State. Furthermore, the Board should adopt policies and procedures, including a final review of the statements, to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to this finding.

Northern Buckeye Education Council

Serving Public Educational Entities of Northwest Ohio

Defiance-Fulton-Henry-Williams Counties

209 Nolan Parkway Archbold, OH 43502

Telephone (419) 267-5565...Facsimile: (419) 267-5222

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS June 30, 2018 and 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material weakness for financial reporting due to adjustments.	Not corrected and reissued as finding 2018-001 in this report.	Additional errors occurred which were not detected. 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.



Dave Yost • Auditor of State

NORTHERN BUCKEYE EDUCATION COUNCIL

FULTON 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
DECEMBER 18, 2018**