



Dave Yost • Auditor of State

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Northern Buckeye Education Council
Fulton County
209 Nolan Parkway, P.O. Box 407
Archbold, Ohio 43502-407

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Northern Buckeye Education Council, Fulton County, Ohio (the Council) as of and for the years ended June 30, 2014 and 2013.

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 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 opinion.

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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be 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 permitted 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, 2014 and 2013, or 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 combined cash balances of Northern Buckeye Education Council, Fulton County, Ohio as of June 30, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during fiscal year 2013, the Council adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2015, 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.

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

February 3, 2015

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NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>
Cash Receipts	
Membership Fees	\$9,500
Earnings on Investments	271
	<hr/>
<i>Total Cash Receipts</i>	9,771
	<hr/>
Cash Disbursements	
Supporting Services:	
Administration	21,165
Fiscal Services	616
Central	
	<hr/>
<i>Total Cash Disbursements</i>	21,781
	<hr/>
<i>Excess of Disbursements Over Receipts</i>	(12,010)
	<hr/>
<i>Fund Cash Balance, July 1</i>	67,097
	<hr/>
Fund Cash Balance, June 30	
Unassigned	55,087
	<hr/>
<i>Fund Cash Balance, June 30</i>	<u>\$55,087</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, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Internal Service	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$9,916,859	\$7,717,695	\$17,634,554
Miscellaneous	1,640		1,640
<i>Total Operating Cash Receipts</i>	<u>9,918,499</u>	<u>7,717,695</u>	<u>17,636,194</u>
Operating Cash Disbursements			
Salaries	3,298,997	1,283,532	4,582,529
Employee Fringe Benefits	1,089,345	325,552	1,414,897
Purchased Services	6,120,685	9,257,670	15,378,355
Supplies and Materials	23,951	1,183,477	1,207,428
Other	62,493	4,997	67,490
<i>Total Operating Cash Disbursements</i>	<u>10,595,471</u>	<u>12,055,228</u>	<u>22,650,699</u>
<i>Operating Loss</i>	<u>(676,972)</u>	<u>(4,337,533)</u>	<u>(5,014,505)</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	3,391,048	6,279,201	9,670,249
Earnings on Investments	33,723	16,036	49,759
Capital Outlay	(625,306)	(263,346)	(888,652)
Pass Through		(1,130,550)	(1,130,550)
Refund of Prior Year Disbursements	78,007	96,498	174,505
Refund of Prior Year Receipts	(1,145,233)	(168,120)	(1,313,353)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>1,732,239</u>	<u>4,829,719</u>	<u>6,561,958</u>
<i>Income before Transfers and Advances</i>	1,055,267	492,186	1,547,453
Transfers In		3,278,182	3,278,182
Transfers Out		(3,278,182)	(3,278,182)
Advances In	100,000		100,000
Advances Out	(100,000)		(100,000)
<i>Net Change in Fund Cash Balances</i>	1,055,267	492,186	1,547,453
<i>Fund Cash Balances, July 1</i>	<u>9,212,185</u>	<u>6,154,141</u>	<u>15,366,326</u>
<i>Fund Cash Balances, June 30</i>	<u><u>\$10,267,452</u></u>	<u><u>\$6,646,327</u></u>	<u><u>\$16,913,779</u></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)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General</u>
Cash Receipts	
Membership Fees	\$10,000
Earnings on Investments	28
	<hr/>
<i>Total Cash Receipts</i>	10,028
	<hr/>
Cash Disbursements	
Supporting Services:	
Administration	26,814
	<hr/>
<i>Excess of Disbursements Over Receipts</i>	(16,786)
	<hr/>
<i>Fund Cash Balance, July 1</i>	83,883
	<hr/>
Fund Cash Balance, June 30	
Unassigned	67,097
	<hr/>
<i>Fund Cash Balance, June 30</i>	<u>\$67,097</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, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Internal Service	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$10,008,217	\$7,767,217	\$17,775,434
Miscellaneous	16,093	3,569	19,662
<i>Total Operating Cash Receipts</i>	<u>10,024,310</u>	<u>7,770,786</u>	<u>17,795,096</u>
Operating Cash Disbursements			
Salaries	3,451,645	1,092,437	4,544,082
Employee Fringe Benefits	1,117,391	278,980	1,396,371
Purchased Services	6,195,572	7,766,770	13,962,342
Supplies and Materials	41,190	1,456,732	1,497,922
Other	293,316	582,956	876,272
<i>Total Operating Cash Disbursements</i>	<u>11,099,114</u>	<u>11,177,875</u>	<u>22,276,989</u>
<i>Operating Loss</i>	<u>(1,074,804)</u>	<u>(3,407,089)</u>	<u>(4,481,893)</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	2,044,086	4,892,653	6,936,739
Earnings on Investments	57,180	26,691	83,871
Capital Outlay	(1,421,528)	(137,281)	(1,558,809)
Pass Through		(841,755)	(841,755)
Refund of Prior Year Disbursements	169,756	225,000	394,756
Refund of Prior Year Receipts	(1,054,000)	(671,060)	(1,725,060)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(204,506)</u>	<u>3,494,248</u>	<u>3,289,742</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>(1,279,310)</u>	<u>87,159</u>	<u>(1,192,151)</u>
Transfers In		35,000	35,000
Transfers Out		(35,000)	(35,000)
Advances In	175,000		175,000
Advances Out	(175,000)		(175,000)
<i>Net Change in Fund Cash Balances</i>	<u>(1,279,310)</u>	<u>87,159</u>	<u>(1,192,151)</u>
<i>Fund Cash Balances, July 1</i>	<u>10,491,495</u>	<u>6,066,982</u>	<u>16,558,477</u>
<i>Fund Cash Balances, June 30</i>	<u><u>\$9,212,185</u></u>	<u><u>\$6,154,141</u></u>	<u><u>\$15,366,326</u></u>

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

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

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 is associated with the Ohio Collaborative Services Consortium (the Consortium). The Consortium is defined as a jointly governed organization and presented in Note 8 to the basic financial statements.

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 another comprehensive basis of accounting, as prescribed or permitted by the Auditor of State. 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). 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.

Internal Service Funds - These 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 (Agency Fund) - Funds for which the Council is acting in an agency capacity are classified as agency funds. The Council had the following significant agency fund:

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

MCOECN DASL Fund - Accounts for the financial activity of the Management Council of the Ohio Education Computer Network (MCOECN) providing support and development of the Data Analysis for Student Learning (DASL) student software report systems for clients. The Northern Buckeye Education Council acts as fiscal agent for MCOECN.

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 2014 and 2013 budgetary activity appears in Note 7.

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 account registry service (CDARS), negotiable certificates of deposit, repurchase agreements and government agency obligations are valued at cost. The Council's money market mutual fund is recorded at the amount reported by Charles Schwab at June 30, 2014 and 2013.

The Council has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014 and 2013.

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.

Fund Balance

In 2013, the Council adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which had no effect on fund balances. Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

**NORTHERN BUCKEYE EDUCATION COUNCIL
 FULTON COUNTY, OHIO
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
 (Continued)**

Restricted - Fund balance is reported as 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 - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Directors. The committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the Council for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Directors.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Council first applies restricted resources when an expenditure is 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 can be used.

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, 2014 and 2013 was as follows:

	2014	2013
Demand Deposits	\$ 11,059,049	\$ 4,051,355
U.S. Government Agency Securities	4,844,459	10,207,896
Negotiable Certificates of Deposit	735,075	
STAR Ohio	321,112	161,403
Money Market Mutual Fund	9,171	1,012,769
Total Investments	5,909,817	11,382,068
Total Deposits and Investments	<u>\$ 16,968,866</u>	<u>\$ 15,433,423</u>

Deposits

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

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

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.

The Council invests in various investments. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect the amounts reported in the financial statements.

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. Contribution rates are also prescribed by the Ohio Revised Code. For the years ended June 30, 2014 and 2013, STRS members contributed 11.00 percent and 10.00 percent of their wages, respectively, 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, 2014.

NOTE 5 – RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- Education Liability
- General Liability
- Automobile Liability

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 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.

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. After 20 years, the Council will pay an annual management fee of \$10,964. The Council is also responsible for paying a portion of the utilities, building and ground maintenance, garbage and refuse service, assessments, and insurance. The total lease disbursements, including additional fees, for fiscal year 2014 and 2013 were \$2,291,080 and \$302,461 respectively.

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

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 the financial statements of the Council at June 30, 2014 and 2013.

NOTE 7 – BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,000	\$9,771	(\$229)
Internal Service	13,055,150	13,521,277	466,127
Agency	14,947,521	17,387,612	2,440,091
Total	\$28,012,671	\$30,918,660	\$2,905,989

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,500	\$21,781	\$5,719
Internal Service	16,054,596	15,603,209	451,387
Agency	19,627,741	17,783,233	1,844,508
Total	\$35,709,837	\$33,408,223	\$2,301,614

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,000	\$10,028	\$28
Internal Service	12,942,110	12,470,332	(471,778)
Agency	10,251,545	12,950,130	2,698,585
Total	\$23,203,655	\$25,430,490	\$2,226,835

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,001	\$26,814	\$187
Internal Service	16,810,636	15,755,552	1,055,084
Agency	16,537,168	14,030,115	2,507,053
Total	\$33,374,805	\$29,812,481	\$3,562,324

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Continued)**

NOTE 8 – JOINTLY GOVERNED ORGANIZATIONS

Ohio Collaborative Services Consortium

The Council participates in the Ohio Collaborative Services Consortium, (the Consortium), a Regional Council of Governments pursuant to Chapter 167 of the Ohio Rev. Code. The Consortium operates under a Board of Directors consisting of nine members, three representatives selected and appointed by each member. The three members are TRECA, NBEC/NWOCA, and the ESC of Central Ohio.

The purpose of the Consortium is to provide for the efficient and economic provisions of products and services that effectively allow for the development and support of its primary market, being k-12 public education, as well as other clientele and including but not limited to secondary and pre-kindergarten education, private education, and municipal, social service, judicial and other public and community service organizations. This includes without limitation.

1. To promote action for the common good of the Members;
2. To promote cooperative arrangements and coordinate action among its Members and between its Members and other agencies;
3. To contract with and promote cooperative agreements and contracts among its Members, other agencies, political subdivisions, private persons, corporations, business, etc.;
4. To develop collaborative, cost-effective, and efficient sharing of resources; and
5. To examine opportunities for collaborative action.

During fiscal year 2014 and 2013, the Council paid \$18,250 and \$5,000, respectively, to the Consortium for start-up contributions and SchoolNet Training for NWOCA staff. Financial Information can be obtained from the Ohio Collaborative Services Consortium, 100 Executive Drive, Marion, Ohio 43302.

NOTE 9 – INTERFUND TRANSFERS

In 2014, the Management Council of the Ohio Education Computer Network (MCOECN) discontinued the use of the MCOECN Network ISP Services Fund and transferred the balance of \$1,621,591 to the MCOECN General Fund. The Council then created the MCOECN Projects and Operations Fund and transferred the \$1,621,591 from the MCOECN General Fund to this new fund.

Also, in both 2014 and 2013 the Council transferred \$35,000 from the MCOECN-TSG (Technical Support Group) Fund to the MCOECN General Fund to help pay for personnel salaries.

NOTE 10 – SUBSEQUENT EVENTS

On July 1, 2014 the Council ceased to serve as the fiscal agent for the Management Council of the Ohio Education Computer Network (MCOECN). On July 11, 2014 the Council transferred all MCOECN funds to the care of the MCOECN Treasurer.



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 Northern Buckeye Education Council, Fulton County, Ohio (the Council) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated February 3, 2015, wherein we noted the Council followed reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and wherein in fiscal year 2013 we noted the Council adopted Government Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 opinion 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 Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the 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*.

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 communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

February 3, 2015

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material weakness due to errors in financial statements.	Yes	
2012-002	Material weakness due to failure to implement GASB Statement No. 54, <i>Fund Balance Reporting and Governmental Fund Types</i> .	Yes	

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NORTHERN BUCKEYE EDUCATIONAL 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
FEBRUARY 19, 2015**