



OHIO AUDITOR OF STATE
KEITH FABER

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Statement of Receipts, Disbursements and Changes in Fund Balance (Regulatory Cash Basis) – Governmental Fund Type For the Fiscal Year Ended June 30, 2024	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – Proprietary Fund Type For the Fiscal Year Ended June 30, 2024	6
Notes to the Financial Statements For the Fiscal Year Ended June 30, 2024	7
Statement of Receipts, Disbursements and Changes in Fund Balance (Regulatory Cash Basis) – Governmental Fund Type For the Fiscal Year Ended June 30, 2023	13
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – Proprietary Fund Type For the Fiscal Year Ended June 30, 2023	14
Notes to the Financial Statements For the Fiscal Year Ended June 30, 2023	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Northern Buckeye Education Council, Fulton County, Ohio (the Council), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2024 and 2023, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Council, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Council on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), 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 and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 20, 2025

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NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE (REGULATORY CASH BASIS) - GOVERNMENTAL FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>General</u>
Cash Receipts:	
Membership Fees	\$10,000
Earnings on Investments	<u>1,715</u>
<i>Total Cash Receipts</i>	<u>11,715</u>
Cash Disbursements:	
Supporting Services:	
Administration	8,942
Fiscal Services	<u>631</u>
<i>Total Cash Disbursements</i>	<u>9,573</u>
<i>Net Change in Fund Cash Balance</i>	2,142
<i>Fund Cash Balance, July 1</i>	<u>57,410</u>
<i>Fund Cash Balance, June 30</i>	<u><u>\$59,552</u></u>

See accompanying notes to the basic financial statements

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
IN FUND BALANCES (REGULATORY CASH BASIS) - PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	Proprietary Fund Type
	Internal Service
Operating Cash Receipts:	
Charges for Services	<u>\$12,565,712</u>
Operating Cash Disbursements:	
Salaries	3,131,524
Employee Fringe Benefits	1,179,478
Purchased and Contracted Services	9,955,286
Supplies and Materials	1,801
Other	<u>49,504</u>
<i>Total Operating Cash Disbursements</i>	<u>14,317,593</u>
Operating Loss	<u>(1,751,881)</u>
Non-Operating Receipts (Disbursements):	
Intergovernmental	437,295
Earnings on Investments	169,398
Capital Outlay	(242,403)
Refund of Prior Year Disbursements	<u>32,172</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>396,462</u>
Net Change in Fund Cash Balance	<u>(1,355,419)</u>
Fund Cash Balances, July 1	<u>8,228,252</u>
Fund Cash Balances, June 30	<u>\$6,872,833</u>

See accompanying notes to the basic financial statements

Northern Buckeye Education Council
Fulton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

NOTE 1 – REPORTING ENTITY

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

The Council's management believes these financial statements present all activity 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 statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for the governmental fund type, and a combined statement of receipts, disbursements and changes in fund balances (regulatory 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.

Internal Service Fund: This fund accounts for financing of goods or services provided by the Council to the Council's 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.

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 (C). 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 (C) permit.

Northern Buckeye Education Council
Fulton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

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 re-appropriated.

A summary of 2024 budgetary activity appears in Note 3.

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 federal agency securities and U.S. Treasury notes 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 a NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Leases and SBITAs

The Council is the lessee in various leases (as defined by GASB 87) related to buildings, fiber optic lines, and other equipment under noncancelable leases. Lease disbursements are recognized when they are received/paid.

The Council has entered into noncancelable Subscription-Based Information Technology Arrangements (SBITA) contracts (as defined by GASB 96) for several types of software including contracts related to financial systems and various other software. Subscription disbursements are recognized when they are paid.

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:

Non-spendable: The Council classifies assets as non-spendable when legally or contractually required to maintain the amounts intact. For regulatory purposes, non-spendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Council and the non-spendable portion of the corpus in permanent funds.

Northern Buckeye Education Council
Fulton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

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: The 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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 9.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2024 follows:

FY24 Budgeted vs. Actual Receipts			
Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$11,200	\$11,715	\$515
Internal Service	13,451,320	13,204,577	(246,733)
Total	<u>\$13,462,520</u>	<u>\$13,216,292</u>	<u>\$(246,228)</u>

FY24 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgetary	Appropriation	Variance
	Expenditures	Authority	
General	\$9,573	\$14,500	\$4,927
Internal Service	15,258,069	16,316,968	1,058,899
Total	\$15,267,642	<u>\$16,331,468</u>	\$1,063,826

NOTE 4 – DEPOSITS AND INVESTMENTS

To improve cash management, cash received by the Council is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Council's deposit and investment accounts are as follows:

Northern Buckeye Education Council
Fulton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

	<u>2024</u>
Cash Management Pool:	
Demand deposits	\$2,674,935
U.S. Treasury Notes	1,817,606
U.S. Government Agency Securities	679,496
STAR Ohio	1,276,581
Money Market Mutual Fund	<u>483,767</u>
Total investments	<u>4,257,450</u>
<i>Total carrying amount of deposits and investments held in the Pool</i>	<u><u>\$6,932,385</u></u>

The Council has a payroll clearing account that is held outside of the deposit pool where gross payroll is held for distribution. The expenditures included in the accompanying financial statements reflect gross payroll.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

The Federal Reserve holds the Council's U.S. Treasury Notes and 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 mutual funds are not evidenced by securities that exist in physical or book-entry form.

NOTE 5 – RISK MANAGEMENT

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Educators liability;
- Automobile liability;
- Crime; and
- Cyber liability.

NOTE 6 – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Northern Buckeye Education Council
Fulton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

Plan members are required to contribute 10.00% of their annual covered salary and the Council is required to contribute 14.00% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10.00% for plan members and 14.00% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2024, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2024, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Council has paid all contributions required through June 30, 2024.

State Teachers Retirement System

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

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2024 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2024, the full employer contribution was allocated to pension.

The Council has paid all contributions required through June 30, 2024.

NOTE 7 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2024, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2024, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

State Teachers Retirement System

STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023.

Northern Buckeye Education Council
Fulton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2024, STRS did not allocate any employer contributions to post-employment health care.

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 the fiber optic lines in Phase One and Two through agreements with Ridgeville Telephone Company (RTEC) and Bryan Municipal Utilities (BMU). The lease agreement with RTEC runs thru December 2026 for \$5,531 per month. A new ten-year lease agreement with BMU was entered effective May 1, 2024 for \$3,467 per month. The Council continued to pay \$1,173 per month until the new agreement went into effect.

There are no commitments related to Phase Three after completion of its construction.

On August 29, 2016, the Council executed an amended and restated lease agreement with the Northwest Ohio Educational Service Center (NWOESC) for office space at the Archbold facility. Per the terms of the lease, the NWOESC and the Council will share equally in all ongoing maintenance of the facility. The Council will pay an annual administration fee to the NWOESC for overseeing the financial obligations maintaining the facility. In 2023 the NWOESC completed the installation of a solar field for energy conservation with a percentage of the total costs to be billed to the Council over a 15-year period. Total payments to NWOESC were \$182,754 for annual maintenance, solar field, and administration fees.

NOTE 9 – FUND BALANCE

The general fund balance is unassigned.

NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE (REGULATORY CASH BASIS) - GOVERNMENTAL FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>General</u>
Cash Receipts:	
Membership Fees	\$10,000
Earnings on Investments	<u>1,033</u>
<i>Total Cash Receipts</i>	<u>11,033</u>
Cash Disbursements:	
Supporting Services:	
Administration	9,268
Fiscal Services	<u>642</u>
<i>Total Cash Disbursements</i>	<u>9,910</u>
<i>Net Change in Fund Cash Balance</i>	1,123
<i>Fund Cash Balance, July 1</i>	<u>56,287</u>
<i>Fund Cash Balance, June 30</i>	<u><u>\$57,410</u></u>

See accompanying notes to the basic financial statements

**NORTHERN BUCKEYE EDUCATION COUNCIL
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
IN FUND BALANCES (REGULATORY CASH BASIS) - PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Proprietary Fund Type
	Internal Service
Operating Cash Receipts:	
Charges for Services	<u>\$12,425,911</u>
Operating Cash Disbursements:	
Salaries	3,140,184
Employee Fringe Benefits	1,132,382
Purchased and Contracted Services	9,258,720
Supplies and Materials	9,866
Other	<u>40,642</u>
<i>Total Operating Cash Disbursements</i>	<u>13,581,794</u>
Operating Loss	<u>(1,155,883)</u>
Non-Operating Receipts (Disbursements):	
Intergovernmental	342,348
Earnings on Investments	135,251
Capital Outlay	(284,312)
Refund of Prior Year Disbursements	<u>13,841</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>207,128</u>
Net Change in Fund Cash Balance	<u>(948,755)</u>
Fund Cash Balances, July 1	<u>9,177,007</u>
Fund Cash Balances, June 30	<u>\$8,228,252</u>

See accompanying notes to the basic financial statements

Northern Buckeye Education Council
Fulton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

NOTE 1 – REPORTING ENTITY

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

The Council's management believes these financial statements present all activity 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 statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for the governmental fund type, and a combined statement of receipts, disbursements and changes in fund balances (regulatory 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.

Internal Service Fund: This fund accounts for financing of goods or services provided by the Council to the Council's 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.

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 (C). 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 (C) permit.

Northern Buckeye Education Council
Fulton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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 re-appropriated.

A summary of 2023 budgetary activity appears in Note 3.

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 federal agency securities and U.S. Treasury notes 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 a NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Leases and SBITAs

The Council is the lessee in various leases (as defined by GASB 87) related to buildings, fiber optic lines, and other equipment under noncancelable leases. Lease disbursements are recognized when they are received/paid.

The Council has entered into noncancelable Subscription-Based Information Technology Arrangements (SBITA) contracts (as defined by GASB 96) for several types of software including contracts related to financial systems and various other software. Subscription disbursements are recognized when they are paid.

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:

Non-spendable: The Council classifies assets as non-spendable when legally or contractually required to maintain the amounts intact. For regulatory purposes, non-spendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Council and the non-spendable portion of the corpus in permanent funds.

Northern Buckeye Education Council
Fulton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

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: The 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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 9.

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2023 follows:

FY23 Budgeted vs. Actual Receipts			
Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$10,600	\$11,033	\$433
Internal Service	13,363,456	12,917,351	(446,105)
Total	<u>\$13,374,056</u>	<u>\$12,928,384</u>	<u>(\$445,672)</u>

FY23 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgetary	Budgetary	Variance
	Appropriation	Expenditures	
General	\$14,000	\$9,910	\$4,090
Internal Service	16,310,121	15,221,528	1,088,593
Total	<u>\$16,324,121</u>	<u>\$15,231,438</u>	<u>\$1,092,683</u>

NOTE 4 – DEPOSITS AND INVESTMENTS

To improve cash management, cash received by the Council is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Council's deposit and investment accounts are as follows:

Northern Buckeye Education Council
Fulton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

	<u>2023</u>
Cash Management Pool:	
Demand deposits	\$3,336,361
U.S. Treasury Notes	388,251
Federal Agency Securities	2,546,810
STAR Ohio	2,002,518
Money Market Mutual Fund	11,722
Total investments	<u>4,949,301</u>
<i>Total carrying amount of deposits and investments held in the Pool</i>	<u><u>\$8,285,662</u></u>

The Council has a payroll clearing account that is held outside of the deposit pool where gross payroll is held for distribution. The expenditures included in the accompanying financial statements reflect gross payroll.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

The Federal Reserve holds the Council's U.S. Treasury Notes and 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 mutual funds are not evidenced by securities that exist in physical or book-entry form.

NOTE 5 – RISK MANAGEMENT

Commercial Insurance

The Council has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Educators liability;
- Automobile liability;
- Crime; and
- Cyber liability.

NOTE 6 – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Northern Buckeye Education Council
Fulton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Plan members are required to contribute 10.00% of their annual covered salary and the Council is required to contribute 14.00% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10.00% for plan members and 14.00% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The Council has paid all contributions required through June 30, 2023.

State Teachers Retirement System

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

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2023 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2023, the full employer contribution was allocated to pension.

The Council has paid all contributions required through June 30, 2023.

NOTE 7 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2023, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

State Teachers Retirement System

STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023.

Northern Buckeye Education Council
Fulton County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

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 the fiber optic lines in Phase One and Two through agreements with Ridgeville Telephone Company (RTEC) and Bryan Municipal Utilities (BMU). The lease agreement with RTEC runs thru December 2026 for \$5,531 per month. To date, BMU is still preparing the new lease agreement and terms. The Council continues to pay \$1,173 per month until a new agreement is entered.

There are no commitments related to Phase Three after completion of its construction.

On August 29, 2016, the Council executed an amended and restated lease agreement with the Northwest Ohio Educational Service Center (NWOESC) for office space at the Archbold facility. Per the terms of the lease, the NWOESC and the Council will share equally in all ongoing maintenance of the facility. The Council will pay an annual administration fee to the NWOESC for overseeing the financial obligations maintaining the facility. Total payments to NWOESC for maintenance and the annual administration fee were \$102,774 for fiscal year 2023.

NOTE 9 – FUND BALANCE

The general fund balance is unassigned.



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

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

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended June 30, 2024 and 2023 and the related notes to the financial statements of Northern Buckeye Education Council, Fulton County, Ohio, (the Council) and have issued our report thereon dated March 20, 2025, wherein we noted the Council followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Northern Buckeye Education Council
Fulton County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from 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 financial statements. However, providing an opinion on 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 20, 2025

OHIO AUDITOR OF STATE KEITH FABER



NORTHERN BUCKEYE EDUCATION COUNCIL

FULTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/8/2025

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

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