

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO

FINANCIAL STATEMENTS

JULY 1, 1998 – JUNE 30, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the independent auditor's report of the Northern Buckeye Education Council, Henry County, prepared by Weber O'Brien Ltd., for the audit period July 1, 1998 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

April 12, 2001

NORTHERN BUCKEYE EDUCATION COUNCIL

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Northern Buckeye Education Council Henry County, Ohio (the Council), as of and for the years ended June 30, 2000 and 1999. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Northern Buckeye Education Council, Henry County, Ohio as of June 30, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2000 on our consideration of the Northern Buckeye Education Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Northern Buckeye Education Council
Henry County
Independent Auditors' Report
Page Two

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

Walter O'Brien, CPA.

December 20, 2000

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2000

| | GOVERNMENTAL FUND TYPES | | | FIDUCIARY | (Memorandum |
|---|-------------------------|--------------------|---------------------|----------------------------------|------------------|
| | General | Special Revenue | Capital Projects | FUND TYPE Expendable Trust | Only) Total |
| Cash Receipts: | | | | | |
| Intergovernmental | \$ - | \$ 2,147,703 | \$ 1,000,000 | \$ - | \$ 3,147,703 |
| Charges for Services | - | 1,265,558 | 87,294 | - | 1,352,852 |
| Classroom Materials and Fees | 10,000 | - | - | - | 10,000 |
| Earnings on Investments | 3,380 | - | - | 9,508 | 12,888 |
| Miscellaneous | - | - | - | 7,628 | 7,628 |
| Total Cash Receipts | 13,380 | 3,413,261 | 1,087,294 | 17,136 | 4,531,071 |
| Cash Disbursements: | | | | | |
| Supporting Services: | | | | | |
| Administration | 18,565 | - | - | - | 18,565 |
| Fiscal Services | 853 | - | - | - | 853 |
| Central | - | 2,600,064 | 1,264,041 | 8,302 | 3,872,407 |
| Operation of Non-Instructional Services: | | | | | |
| Enterprise Operations | - | - | - | 102 | 102 |
| Total Cash Disbursements | 19,418 | 2,600,064 | 1,264,041 | 8,404 | 3,891,927 |
| Total Receipts Over/(Under) Disbursements | (6,038) | 813,197 | (176,747) | 8,732 | 639,144 |
| Other Financing Receipts: | | | | | |
| Refund of Prior Year Expenditures | - | - | - | - | - |
| Transfers-In | - | - | - | - | - |
| Total Other Financing Receipts | - | - | - | - | - |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements | (6,038) | 813,197 | (176,747) | 8,732 | 639,144 |
| Fund Cash Balances, July 1, 1999 | 56,080 | 667,036 | 781,782 | 208,578 | 1,713,476 |
| Fund Cash Balances, June 30, 2000 | \$ 50,042 | \$ 1,480,233 | \$ 605,035 | \$ 217,310 | \$ 2,352,620 |
| Reserve for Encumbrances, June 30, 2000 | \$ 6,292 | \$ 662,810 | \$ 207,001 | \$ 7,719 | \$ 883,822 |

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS"

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2000

| | PROPRIETARY FUND TYPES | | FIDUCIARY FUND TYPE | Totals (Memorandum Only) |
|---|------------------------|---------------------|------------------------|--------------------------------|
| | Enterprise | Internal Service | Agency | |
| Operating Cash Receipts: | | | | |
| Charges for Services | \$ 15,772,900 | \$ 1,843,969 | \$ 2,405,240 | \$ 20,022,109 |
| Miscellaneous | 24,500 | | - | 24,500 |
| Total Operating Cash Receipts | <u>15,797,400</u> | <u>1,843,969</u> | <u>2,405,240</u> | <u>20,046,609</u> |
| Operating Cash Disbursements: | | | | |
| Personal Services | - | 1,928,915 | 202,289 | 2,131,204 |
| Employees' Retirement and Insurance | 338,992 | 513,358 | 52,514 | 904,864 |
| Purchased Services | 1,327,945 | 971,525 | 502,138 | 2,801,608 |
| Supplies and Materials | 9,442 | 197,224 | 1,721,594 | 1,928,260 |
| Capital Outlay | | 619,470 | 7,924 | 627,394 |
| Other Objects | 15,740,658 | 32,002 | 1,615 | 15,774,275 |
| Total Operating Cash Disbursements | <u>17,417,037</u> | <u>4,262,494</u> | <u>2,488,074</u> | <u>24,167,605</u> |
| Operating Income/(Loss) | <u>(1,619,637)</u> | <u>(2,418,525)</u> | <u>(82,834)</u> | <u>(4,120,996)</u> |
| Non-operating Cash Receipts: | | | | |
| Intergovernmental Revenues | - | 2,974,901 | - | 2,974,901 |
| Earnings on Investments | 444,136 | 125,695 | 125,941 | 695,772 |
| Refund of Prior Year Expenditures | 932,361 | 71,812 | - | 1,004,173 |
| Sale and Loss of Assets | - | 4,850 | - | 4,850 |
| Total Non-operating Cash Receipts | <u>1,376,497</u> | <u>3,177,258</u> | <u>125,941</u> | <u>4,679,696</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers | (243,140) | 758,733 | 43,107 | 558,700 |
| Transfers-Out | - | - | - | - |
| Net Receipts Over/(Under) Disbursements | (243,140) | 758,733 | 43,107 | 558,700 |
| Fund Cash Balances, July 1, 1999 | <u>9,455,741</u> | <u>1,664,256</u> | <u>1,257,824</u> | <u>12,377,821</u> |
| Fund Cash Balances, June 30, 2000 | <u>\$ 9,212,601</u> | <u>\$ 2,422,989</u> | <u>\$ 1,300,931</u> | <u>\$ 12,936,521</u> |
| Reserve for Encumbrances, June 30, 2000 | <u>\$ 27,462</u> | <u>\$ 745,860</u> | <u>\$ 564,788</u> | <u>\$ 1,338,110</u> |

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**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

| | GOVERNMENTAL FUND TYPES | | | FIDUCIARY | (Memorandum |
|---|-------------------------|--------------------|---------------------|----------------------------------|------------------|
| | General | Special Revenue | Capital Projects | FUND TYPE Expendable Trust | Only) Total |
| Cash Receipts: | | | | | |
| Intergovernmental | \$ - | \$ 1,343,775 | \$ - | \$ - | \$ 1,343,775 |
| Charges for Services | - | 573,433 | 729,500 | - | 1,302,933 |
| Classroom Materials and Fees | 10,000 | - | - | - | 10,000 |
| Earnings on Investments | 4,104 | - | - | 11,906 | 16,010 |
| Miscellaneous | - | - | - | 6,721 | 6,721 |
| Total Cash Receipts | 14,104 | 1,917,208 | 729,500 | 18,627 | 2,679,439 |
| Cash Disbursements: | | | | | |
| Supporting Services: | | | | | |
| Administration | 17,400 | - | - | - | 17,400 |
| Fiscal Services | 929 | - | - | - | 929 |
| Central | - | 2,242,053 | 251,606 | 6,336 | 2,499,995 |
| Operation of Non-Instructional Services: | | | | | |
| Enterprise Operations | - | - | - | 9,477 | 9,477 |
| Total Cash Disbursements | 18,329 | 2,242,053 | 251,606 | 15,813 | 2,527,801 |
| Total Receipts Over/(Under) Disbursements | (4,225) | (324,845) | 477,894 | 2,814 | 151,638 |
| Other Financing Receipts: | | | | | |
| Refund of Prior Year Expenditures | - | 213 | - | - | 213 |
| Transfers-In | - | - | - | - | - |
| Total Other Financing Receipts | - | 213 | - | - | 213 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements | (4,225) | (324,632) | 477,894 | 2,814 | 151,851 |
| Fund Cash Balances, July 1, 1998 | 60,305 | 991,668 | 303,888 | 205,764 | 1,561,625 |
| Fund Cash Balances, June 30, 1999 | \$ 56,080 | \$ 667,036 | \$ 781,782 | \$ 208,578 | \$ 1,713,476 |
| Reserve for Encumbrances, June 30, 1999 | \$ 2,825 | \$ 409,712 | \$ 133,499 | \$ 7,252 | \$ 553,288 |

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**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

| | PROPRIETARY FUND TYPES | | FIDUCIARY FUND TYPE | Totals (Memorandum Only) |
|---|------------------------|---------------------|------------------------|--------------------------------|
| | Enterprise | Internal Service | Agency | |
| Operating Cash Receipts: | | | | |
| Charges for Services | \$ 14,374,288 | \$ 1,327,379 | \$ 2,966,710 | \$ 18,668,377 |
| Miscellaneous | 23,500 | - | - | 23,500 |
| Total Operating Cash Receipts | <u>14,397,788</u> | <u>1,327,379</u> | <u>2,966,710</u> | <u>18,691,877</u> |
| Operating Cash Disbursements: | | | | |
| Personal Services | | 1,602,755 | 96,567 | 1,699,322 |
| Employees' Retirement and Insurance | 248,680 | 406,915 | 24,265 | 679,860 |
| Purchased Services | 1,371,992 | 685,067 | 331,084 | 2,388,143 |
| Supplies and Materials | 19,008 | 189,386 | 2,228,818 | 2,437,212 |
| Capital Outlay | 5,254 | 1,060,753 | 11,878 | 1,077,885 |
| Other Objects | 14,345,312 | 40,072 | 1,683 | 14,387,067 |
| Total Operating Cash Disbursements | <u>15,990,246</u> | <u>3,984,948</u> | <u>2,694,295</u> | <u>22,669,489</u> |
| Operating Income/(Loss) | <u>(1,592,458)</u> | <u>(2,657,569)</u> | <u>272,415</u> | <u>(3,977,612)</u> |
| Non-operating Cash Receipts: | | | | |
| Intergovernmental Revenues | - | 2,455,848 | - | 2,455,848 |
| Earnings on Investments | 603,925 | 122,421 | 128,716 | 855,062 |
| Refund of Prior Year Expenditures | 765,611 | 39,222 | (71) | 804,762 |
| Total Non-operating Cash Receipts | <u>1,369,536</u> | <u>2,617,491</u> | <u>128,645</u> | <u>4,115,672</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers | <u>(222,922)</u> | <u>(40,078)</u> | <u>401,060</u> | <u>138,060</u> |
| Transfers-Out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Receipts Over/(Under) Disbursements | <u>(222,922)</u> | <u>(40,078)</u> | <u>401,060</u> | <u>138,060</u> |
| Fund Cash Balances, July 1, 1998 | <u>9,678,663</u> | <u>1,704,334</u> | <u>856,764</u> | <u>12,239,761</u> |
| Fund Cash Balances, June 30, 1999 | <u>\$ 9,455,741</u> | <u>\$ 1,664,256</u> | <u>\$ 1,257,824</u> | <u>\$ 12,377,821</u> |
| Reserve for Encumbrances, June 30, 1999 | <u>\$ 53,373</u> | <u>\$ 889,004</u> | <u>\$ 218,646</u> | <u>\$ 1,161,023</u> |

"SEE INDEPENDENT AUDITORS' REPORT"

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NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

The Northern Buckeye Education Council (the Council) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Council is a 40 entity consortium organized under Chapter 167 of the Ohio Revised Code as a not-for-profit Council of Governments and is directed by a ten member Board of Directors. The purpose of the Council is to provide educational entities in grater northwestern Ohio access to a variety of cooperative administrative services thereby reducing the cost of obtaining these services. Currently the Council manages life, dental and health insurance benefit programs, provides data processing services through its Northwest Ohio Computer Association (NWOCA) subsidiary; offers a Workers' Compensation Group Rating Program; assists in the preparation of financial reports and offers in-service training sessions to employees of its member entities.

The Council's management believes these financial statements present all activities for which the Council is financially accountable.

Basis of Accounting

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

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

Fund Accounting

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

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

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

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

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

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

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

Internal Service Funds– The Internal Service Funds account for financing of goods or services provided by the Council to member entities. The council had the following significant internal service fund:

Northwest Ohio Computer Association (NWOCA) – Accounts for the activity of providing data processing services to member entities.

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

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Project Discovery Fund – Accounts for a state grant received by an eighteen (18) county region to promote inquiry-based education in math and science. The Council acts as fiscal agent for the Northwest Region Project Discovery program.

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

Cash and Investments

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

Budgetary Process

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

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

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

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

Property, Plant and Equipment

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

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Unpaid Vacation and Sick Leave

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

Total Columns on Financial Statements

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

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

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

| | <u>2000</u> | <u>1999</u> |
|--------------------------------|---------------------|---------------------|
| Demand Deposits | (\$ 527,605) | (\$ 476,821) |
| Certificates of Deposit | <u>2,868,763</u> | <u>2,218,021</u> |
| Total Deposits | 2,341,158 | 1,741,200 |
| Treasury Notes | 11,486,527 | 8,058,996 |
| STAROhio | 1,457,851 | 989,677 |
| Repurchase Agreements | <u>3,603</u> | <u>3,301,425</u> |
| Total Investments | <u>12,947,981</u> | <u>12,350,098</u> |
| Total Deposits and Investments | <u>\$15,289,139</u> | <u>\$14,091,296</u> |

Deposits

At June 30, 2000 the carrying amount of the Council's deposits was \$2,341,000 and the bank balance was \$3,260,000. At June 30, 1999 the carrying amount of the Council's deposits was \$1,741,000 and the bank balance was \$2,570,000. Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Council, or (3) collateralized by the financial institution's public entity deposit pool. Of the bank balances \$300,000 and \$200,000 was covered by federal and depository insurance and the uninsured bank balance was secured by collateralized pools securing all public funds on deposit with specific financial institutions as of June 30, 2000 and 1999, respectively.

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 2 – EQUITY IN POOLED CASH AND INVESTMENTS, Continued

Investments

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

| <u>Investments- June 30, 2000</u> | <u>Category 3</u> | <u>Carrying Amount</u> | <u>Fair Value</u> |
|-----------------------------------|---------------------|----------------------------|-----------------------|
| STAROhio | | \$1,457,853 | \$1,457,853 |
| Treasury Notes | \$11,486,527 | 11,486,527 | 11,698,431 |
| Repurchase Agreements | <u>3,603</u> | <u>3,603</u> | <u>3,603</u> |
| | <u>\$11,490,130</u> | <u>\$12,947,983</u> | <u>\$13,159,887</u> |

| <u>Investments- June 30, 1999</u> | <u>Category 3</u> | <u>Carrying Amount</u> | <u>Fair Value</u> |
|-----------------------------------|---------------------|----------------------------|-----------------------|
| STAROhio | | \$989,677 | \$989,677 |
| Treasury Notes | \$8,058,996 | 8,058,996 | 8,128,650 |
| Repurchase Agreements | <u>3,301,425</u> | <u>3,301,425</u> | <u>3,301,425</u> |
| | <u>\$11,360,421</u> | <u>\$12,350,098</u> | <u>\$12,419,752</u> |

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2000 and June 30, 1999 was as follows:

| <u>2000 Budgeted vs. Actual Receipts</u> | | | |
|--|------------------------------|----------------------------|---------------------|
| <u>Fund Type</u> | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
| General | \$ 11,800 | \$ 13,380 | \$ 1,580 |
| Special Revenue | 3,222,152 | 3,413,261 | 191,109 |
| Capital Projects | 1,030,000 | 1,087,294 | 57,294 |
| Enterprise | 16,146,850 | 17,173,897 | 1,027,047 |
| Internal Service | 4,668,415 | 5,021,227 | 352,812 |
| Fiduciary | 2,893,743 | 2,548,317 | (345,426) |
| Total | <u>\$ 27,972,960</u> | <u>\$ 29,257,376</u> | <u>\$ 1,284,416</u> |

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 3 – BUDGETARY ACTIVITY, Continued

| 2000 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 25,825 | \$ 25,710 | \$ 115 |
| Special Revenue | 4,055,150 | 3,262,874 | 792,276 |
| Capital Projects | 1,940,999 | 1,471,042 | 469,957 |
| Enterprise | 17,645,674 | 17,444,500 | 201,174 |
| Internal Service | 6,410,888 | 5,008,354 | 1,402,534 |
| Fiduciary | 3,715,728 | 3,068,985 | 646,743 |
| Total | \$ 33,794,264 | \$ 30,281,465 | \$ 3,512,799 |

| 1999 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|--------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 13,000 | \$ 14,104 | \$ 1,104 |
| Special Revenue | 1,881,656 | 1,917,421 | 35,765 |
| Capital Projects | 655,000 | 729,500 | 74,500 |
| Enterprise | 13,905,740 | 15,767,324 | 1,861,584 |
| Internal Service | 3,578,150 | 3,944,870 | 366,720 |
| Fiduciary | 4,041,864 | 3,113,982 | (927,882) |
| Total | \$ 24,075,410 | \$ 25,487,201 | \$ 1,411,791 |

| 1999 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|--------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 26,160 | \$ 21,155 | \$ 5,005 |
| Special Revenue | 3,156,560 | 2,658,697 | 497,863 |
| Capital Projects | 956,626 | 385,105 | 571,521 |
| Enterprise | 16,457,919 | 16,042,129 | 415,790 |
| Internal Service | 5,000,253 | 4,875,441 | 124,812 |
| Fiduciary | 4,512,383 | 2,936,006 | 1,576,377 |
| Total | \$ 30,109,901 | \$ 26,918,533 | \$ 3,191,368 |

NOTE 4 – STATE TEACHERS RETIREMENT SYSTEM

The Council contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement, disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 4 – STATE TEACHERS RETIREMENT SYSTEM, Continued

Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2000 and 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The Council was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal years 2000 and 1999. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Council's required contribution to STRS for the years ended June 30, 2000, 1999, and 1998, were \$72,066, \$46,241 and \$50,136 respectively.

NOTE 5 – SCHOOL EMPLOYEES RETIREMENT SYSTEM

The Council contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Council is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Council's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.55 percent of annual covered salary was the portion used to fund pension obligations. In fiscal 1999, 7.70 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Council's required contributions to SERS for the years ended June 30, 2000, 1999, and 1998 were \$318,560, \$238,612 and \$309,221 respectively.

NOTE 6 – POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 6 – POSTEMPLOYMENT BENEFITS, Continued

authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

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

For the fiscal year ended June 30, 2000, the State Teachers Retirement Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, which was the percentage allocated in fiscal 1999. The balance in the Health Care Reserve Fund, from which health care benefits are paid, was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year ended June 30, 2000, the allocation rate is 8.45 percent; this rate was 6.3 percent in fiscal 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 7 – RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- Education Liability

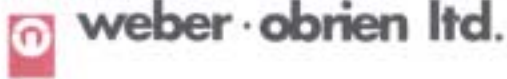
Because the Council manages life, dental and health insurance benefit programs it has a potential liability for incurred but not yet reported claims (IBNR). IBNR claims are claims for insured events that have occurred but have not yet been reported to the third party administrator as of June 30, 2000. These claims include known loss events that are expected to later be presented as claims, unknown loss events that are expected to become claims, and expected future developments on claims already reported. This potential liability is estimated at \$2,856,000 and \$2,523,000 as of June 30, 2000 and 1999, respectively.

The Council has contracted for stop loss insurance on medical and prescription card benefits which limits the Council's liability to \$150,000 per participant per fiscal year and to an aggregate liability of \$18,437,000 and \$17,020,000 for the fiscal year ended June 30, 2000 and 1999, respectively.

NOTE 8 – DEFERRED COMPENSATION PLAN

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

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



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

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

We have audited the financial statements of Northern Buckeye Education Council as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated December 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Board of Directors
Page Two

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

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

Weber • O'Brien • LTD.

Weber • O'Brien, Ltd.
December 20, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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NORTHERN BUCKEYE EDUCATION COUNCIL

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 24, 2001**