

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2004 AND 2003



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the Northern Buckeye Education Council, Henry County, prepared by Weber O'Brien, Ltd, for the audit period July 1, 2002 through June 30, 2004. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 19, 2006

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NORTHERN BUCKEYE EDUCATION COUNCIL

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Northern Buckeye Education Council, Henry County, Ohio (the Council), as of and for the years ended June 30, 2004 and 2003, which collectively comprise the Council's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 2, the Council prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The Council's financial statements do not disclose certain information about insurance claims activity related to its public entity risk pool activities. In our opinion, disclosure of this information is required by the Council's basis of accounting.

In our opinion, except for the omission of the information in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Northern Buckeye Education Council, Henry County, Ohio as of June 30, 2004 and 2003, and the respective changes in modified cash basis financial position for the years then ended on the basis of accounting described in Note 2.

As described in Note 3, the Council has implemented the display provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis- For State and Local Governments*, effective July 1, 2002.

Northern Buckeye Education Council
Henry County
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The management's discussion and analysis on pages 3 through 9 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Council has not presented information regarding annual premiums and claims for its insurance activities that its basis of accounting has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2004 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 audits.

A handwritten signature in cursive script that reads "W. Kevin O'Brien, Ltd.".

December 29, 2004

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Years Ended June 30, 2004 and 2003
Unaudited
(Continued)**

The discussion and analysis of the Council's financial performance provides an overall review of the Council's financial activities for the fiscal years ended June 30, 2004 and 2003. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for fiscal years 2004 and 2003 are as follows:

In total, net assets decreased \$2,980,347 and \$778,676, respectively.

General revenues accounted for \$3,795,386 (10%) and \$3,779,959 (11%) of all revenues. Program specific revenues in the form of operating grants and contributions accounted for \$33,098,495 (90%) and \$30,303,983 (89%) of total revenues of \$36,893,881 and \$34,083,942.

The Council's major governmental funds are the General Fund and the MCOECN Fund. The General Fund had \$33,507 and \$27,599 in revenues and \$22,062 and \$23,442 in expenditures. The General Fund's fund balance increased \$11,445 and \$6,535 from the prior fiscal year. The MCOECN Fund had \$1,629,100 and \$1,378,431 in revenues and \$1,407,171 and \$1,283,548 in expenditures. The MCOECN Fund's fund balance increased \$221,929 and \$94,883 from the prior fiscal year. These increases are attributed to a grant program overlapping the two fiscal years and a new program starting up in Fiscal 2004.

The Council's major proprietary funds included the Self-Funded Insurance Fund and the NWOCA Fund. The Self-Funded Insurance Fund had \$26,728,333 and \$21,596,783 in revenues and other financing sources and \$26,818,843 and \$23,512,290 in expenditures. The Self-Funded Insurance Fund's fund balance decreased \$90,510 and \$1,915,507 from the prior fiscal year. The NWOCA Fund had \$7,382,218 and \$11,089,330 in revenues and other financing sources and \$10,259,024 and \$10,012,586 in expenditures. The NWOCA Fund's fund balance decreased \$2,876,806 in Fiscal 2004 and increased \$1,076,744 in Fiscal 2003. The decrease in Fiscal 2004 is attributed to higher expenditures for the fiber optic project and reduction in member fees to finance the project compared to Fiscal 2003. Similarly, the increase in Fiscal 2003 is primarily related to the fiber optic project.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Council as a financial whole, or as an entire operating entity.

The statement of activities and net assets - modified cash basis provides information about the

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY

Management's Discussion and Analysis
For Fiscal Years Ended June 30, 2004 and 2003
Unaudited
(Continued)

activities of the whole Council, presenting both an aggregate view of the Council's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Council's most significant funds, with all other non-major funds presented in total in a single column.

For the Council, the Self-Funded Insurance Fund and the NWOCA Fund are the most significant funds. These two funds, along with the General Fund and the MCOECN Fund are the Council's major funds.

Reporting the Council as a Whole

Statement of Activities and Net Assets - Modified Cash Basis

The statement of activities and net assets - modified cash basis reflects how the Council did financially during fiscal years 2004 and 2003. The statement of activities and net assets - modified cash basis reports the Council's net assets as a total of all governmental and business-type activities, as well as revenues and expenditures by activity and type.

These statements report the Council's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Council as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the Council's facility conditions, required programs, and other factors.

In the statement of net assets and the statement of activities, the Council discloses two types of activities:

Governmental Activities - All of the Council's governmental funds are reported here including administrative, fiscal, and central services. These services are primarily funded from intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities - All of the Council's proprietary funds are reported here by program, including self - funded insurance, NWOCA, and other programs. These services are primarily funded by insurance premiums and intergovernmental revenues.

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY

Management's Discussion and Analysis
For Fiscal Years Ended June 30, 2004 and 2003

Unaudited
(Continued)

Fund Financial Statements

Fund financial statements provide detailed information about the Council's major funds. While the Council uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the Council's most significant funds. The Council's major governmental funds are the General Fund and the MCOECN Fund. The Council's major proprietary funds are the Self-Funded Insurance Fund and the NWOCA Fund. While the Council uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - Governmental funds focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the modified cash basis of accounting, which revenues and expenditures are recorded when cash is received or expended.

Proprietary Funds - Most of the Council's activities are reported in proprietary funds, which account for operations that are similar to private business enterprises. These funds are also reported using the modified cash basis of accounting, which revenues and expenses are recorded when cash is received or spent.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Council. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the Council's programs. These funds use the modified cash basis of accounting.

The Council as a Whole

Tables 1 and 2 provide a summary of the Council's net assets for fiscal years 2004 and 2003.

**Table 1
Net Assets
Governmental Activities**

	2004	2003
<u>Assets:</u>		
Equity in Pooled Cash and Investments	\$1,515,696	\$1,510,817
 <u>Net Assets:</u>		
Unrestricted Net Assets	\$1,515,696	\$1,510,817

Table 2

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Years Ended June 30, 2004 and 2003
Unaudited
(Continued)**

Net Assets		
Business-Type Activities		
	2004	2003
<u>Assets:</u>		
Equity in Pooled Cash and Investments	\$12,312,833	\$15,298,059
<u>Net Assets:</u>		
Unrestricted Net Assets	\$12,312,833	\$15,298,059

Tables 3 and 4 reflect the changes in net assets for fiscal years 2004 and 2003.

**Table 3
Change in Net Assets
Governmental Activities**

	2004	2003
<u>Revenues:</u>		
<u>Program Revenues:</u>		
Charges for Services and Sales	\$10,000	\$10,250
Operating Grants and Contributions	1,604,340	1,330,583
Capital Grants and Contributions	785,589	909,247
Total Program Revenues	2,399,929	2,250,080
<u>General Revenues:</u>		
Grants and Entitlements	42,949	44,950
Investment Earnings	677	1,201
Miscellaneous	62,694	85,401
Total General Revenues	106,320	131,552
Total Revenues	2,506,249	2,381,632
<u>Expenses:</u>		
<u>Support Services:</u>		
Administration	21,281	22,553
Fiscal	7,011	1,489
Central	2,473,078	2,296,410
Total Expenses	2,501,370	2,320,452
Increase in Net Assets	\$4,879	\$61,180

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Years Ended June 30, 2004 and 2003
Unaudited
(Continued)**

**Table 4
Change in Net Assets
Business-Type Activities**

	<u>2004</u>	<u>2003</u>
<u>Revenues:</u>		
Program Revenues - Charges for Services	\$30,698,566	\$28,053,903
<u>General Revenues:</u>		
Grants and Entitlements	2,733,293	2,779,805
Investment Earnings	192,358	560,668
Miscellaneous	763,415	307,934
Total General Revenues	<u>3,689,066</u>	<u>3,648,407</u>
Total Revenues	<u>34,387,632</u>	<u>31,702,310</u>
<u>Expenses:</u>		
Personal Services	2,519,596	2,548,589
Purchased Services	5,605,087	4,683,614
Capital Outlay	3,089,958	2,433,053
Administration and Other	198,357	137,471
Retirement and Insurance	25,959,860	22,739,439
Total Expenses	<u>37,372,858</u>	<u>32,542,166</u>
Decrease in Net Assets	<u>(\$2,985,226)</u>	<u>(\$839,856)</u>

Governmental and Business-Type Activities

Table 5 and 6 indicate the total cost of services and the net cost of services for governmental and business-type activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**Table 5
Governmental Activities**

	<u>2004</u>		<u>2003</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
<u>Support Services:</u>				
Administration	\$21,281	\$11,281	\$22,553	\$12,303
Fiscal	7,011	7,011	1,489	1,489
Central	2,473,078	83,149	2,296,410	56,580
Total Expenses	<u>\$2,501,370</u>	<u>\$101,441</u>	<u>\$2,320,452</u>	<u>\$70,372</u>

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY**

**Management's Discussion and Analysis
For Fiscal Years Ended June 30, 2004 and 2003
Unaudited
(Continued)**

**Table 6
Business-Type Activities**

	2004		2003	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Self-Funded Insurance	\$26,818,843	\$ 656,779	\$23,471,241	\$2,224,644
NWOCA	10,259,024	5,750,022	8,789,925	2,009,119
Other	294,991	267,491	281,000	254,500
Total Expenses	\$37,372,858	\$ 6,674,292	\$32,542,166	\$4,488,263

The main source of income is from service fees and insurance premiums paid by local school districts. Approximately 92% of the councils revenue is received from local school districts with the remaining 8% derived from state and federal grants and miscellaneous sources.

The Council's Funds

The Council's major governmental funds are the General Fund and the MCOECN Fund. Total governmental funds for the years ended June 30, 2004 and 2003 had revenues of \$2,506,249 and \$2,381,632, respectively, and expenditures of \$2,501,370 and \$2,320,452, respectively.

The Council's major proprietary funds are the Self-Funded Insurance Fund and the NWOCA Fund. Total proprietary funds had revenues of \$34,387,632 and \$31,702,310, respectively, and expenses of \$37,372,858 and \$32,542,166, respectively.

General Fund Budgeting Highlights

The Council is not required by law to budget its funds. The Council does, however, use an internal budget for administrative purposes.

Current Issues

The Council's main source of revenue is from its 40 member school districts. It also receives state subsidies for various programs. In light of the uncertainty in State Funding the Council must be aware of the limited resources that many of its member school districts are experiencing and must be diligent in keeping expenses down. The Council continues to seek other sources of funding such as federal and private grants to fund various projects.

The insurance consortium expenses and revenues continue to be a large part of the Council's budget, however, the insurance program participants are faced with increasing health care costs. The Council plans to take a much more aggressive approach in the coming months to put cost saving measures into the insurance program.

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY

Management's Discussion and Analysis
For Fiscal Years Ended June 30, 2004 and 2003
Unaudited
(Continued)

Over the past several years, the Council has remained in a good financial position. It continues to add new projects, such as the state eSIS software project, which will increase the revenues to the Council. However, future finances are not without challenges as the Council and its member districts face the state funding crisis.

Contacting the Council's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Council's finances and to reflect the Council's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Robin Pfund, Treasurer, Northern Buckeye Education Council, 22900 State Route 34, Archbold, Ohio 43502-9517.

**Northern Buckeye Education Council
Henry County**

*Statement of Activities and Net Assets - Modified Cash Basis
As of and for the Year Ended June 30, 2004*

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
Support Services:				
Administration	\$ 21,281	\$ 10,000	\$ -0-	\$ -0-
Fiscal	7,011	-0-	-0-	-0-
Central	<u>2,473,078</u>	<u>-0-</u>	<u>1,604,340</u>	<u>785,589</u>
<i>Total Governmental Activities</i>	2,501,370	10,000	1,604,340	785,589
Business-Type Activities				
Self-Funded Insurance	26,818,843	26,162,064	-0-	-0-
NWOCA	10,259,024	4,509,002	-0-	-0-
Other	<u>294,991</u>	<u>27,500</u>	<u>-0-</u>	<u>-0-</u>
<i>Total Business-Type Activities</i>	<u>37,372,858</u>	<u>30,698,566</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 39,874,228</u>	<u>\$ 30,708,566</u>	<u>\$ 1,604,340</u>	<u>\$ 785,589</u>

General Receipts

Grants and Entitlements not Restricted to Specific Programs
Interest
Miscellaneous

Total General Receipts

Change in Net Assets
Net Assets Beginning of Year
Net Assets End of Year

ASSETS

Equity in Pooled Cash and Investments

NET ASSETS

Unrestricted

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$ 11,281)	\$ -0-	(\$ 11,281)
(7,011)	-0-	(7,011)
(83,149)	-0-	(83,149)
(101,441)	-0-	(101,441)
-0-	(656,779)	(656,779)
-0-	(5,750,022)	(5,750,022)
-0-	(267,491)	(267,491)
-0-	(6,674,292)	(6,674,292)
(101,441)	(6,674,292)	(6,775,733)
42,949	2,733,293	2,776,242
677	192,358	193,035
62,694	763,415	826,109
106,320	3,689,066	3,795,386
4,879	(2,985,226)	(2,980,347)
1,510,817	15,298,059	16,808,876
<u>\$ 1,515,696</u>	<u>\$ 12,312,833</u>	<u>\$ 13,828,529</u>
<u>\$ 1,515,696</u>	<u>\$ 12,312,833</u>	<u>\$ 13,828,529</u>
<u>\$ 1,515,696</u>	<u>\$ 12,312,833</u>	<u>\$ 13,828,529</u>

**Northern Buckeye Education Council
Henry County**

*Statement of Modified Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances - Governmental Funds
As of and for the Year Ended June 30, 2004*

	General	MCOECN	Other Governmental Funds	Total Governmental Funds
Receipts				
Intergovernmental	\$ -0-	\$ 1,604,340	\$ 828,538	\$ 2,432,878
Classroom Materials and Fees	10,000	-0-	-0-	10,000
Earnings on Investments	677	-0-	-0-	677
Miscellaneous	<u>22,830</u>	<u>24,760</u>	<u>15,104</u>	<u>62,694</u>
<i>Total Receipts</i>	<u>33,507</u>	<u>1,629,100</u>	<u>843,642</u>	<u>2,506,249</u>
Disbursements				
Support Services:				
Administration	21,281	-0-	-0-	21,281
Fiscal Services	781	6,230	-0-	7,011
Central	<u>-0-</u>	<u>1,400,941</u>	<u>1,072,137</u>	<u>2,473,078</u>
<i>Total Disbursements</i>	<u>22,062</u>	<u>1,407,171</u>	<u>1,072,137</u>	<u>2,501,370</u>
<i>Net Change in Fund Balances</i>	11,445	221,929	(228,495)	4,879
<i>Fund Balances - Beginning of Year</i>	<u>33,039</u>	<u>1,077,272</u>	<u>400,506</u>	<u>1,510,817</u>
<i>Fund Balances - End of Year</i>	<u>\$ 44,484</u>	<u>\$ 1,299,201</u>	<u>\$ 172,011</u>	<u>\$ 1,515,696</u>
Assets				
Equity in Pooled Cash and Investments	<u>\$ 44,484</u>	<u>\$ 1,299,201</u>	<u>\$ 172,011</u>	<u>\$ 1,515,696</u>
Fund Balances				
Unreserved:				
Undesignated, Reported in:				
General Fund	44,484	-0-	-0-	44,484
Special Revenue Fund	-0-	1,299,201	22,444	1,321,645
Capital Projects Fund	<u>-0-</u>	<u>-0-</u>	<u>149,567</u>	<u>149,567</u>
Total Fund Balances	<u>\$ 44,484</u>	<u>\$ 1,299,201</u>	<u>\$ 172,011</u>	<u>\$ 1,515,696</u>

See accompanying notes to the basic financial statements

Northern Buckeye Education Council
Henry County
Statement of Modified Cash Basis Fund Net Assets and
Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Net Assets
Proprietary Funds
As of and for the Year Ended June 30, 2004

	Business - Type Activities			Total
	Self-Funded Insurance	NWOCA	Other Business- Type Funds	
Operating Receipts				
Member Contributions	\$ 26,162,064	\$ -0-	\$ -0-	\$ 26,162,064
Charges for Services	-0-	4,509,002	-0-	4,509,002
Classroom Materials and Fees	-0-	-0-	27,500	27,500
<i>Total Operating Receipts</i>	26,162,064	4,509,002	27,500	30,698,566
Operating Disbursements				
Personal Services	-0-	2,519,596	-0-	2,519,596
Retirement and Insurance	24,980,943	756,941	221,976	25,959,860
Purchased Services	1,811,010	3,721,484	72,593	5,605,087
Materials and Supplies	26,890	87,005	422	114,317
Capital Outlay	-0-	3,089,958	-0-	3,089,958
Other	-0-	84,040	-0-	84,040
<i>Total Operating Disbursements</i>	26,818,843	10,259,024	294,991	37,372,858
<i>Excess of Operating Disbursements over Receipts</i>	(656,779)	(5,750,022)	(267,491)	(6,674,292)
Non-Operating Revenues/(Expenses)				
Intergovernmental Revenues	-0-	2,733,293	-0-	2,733,293
Sale of Assets	-0-	412	-0-	412
Earnings on Investments	95,894	95,529	935	192,358
Refund of Prior Years Expenditures	470,375	43,982	-0-	514,357
Miscellaneous	-0-	-0-	248,646	248,646
<i>Change in Net Assets</i>	(90,510)	(2,876,806)	(17,910)	(2,985,226)
<i>Net Assets Beginning of Year</i>	6,444,719	8,797,429	55,911	15,298,059
<i>Net Assets End of Year</i>	\$ 6,354,209	\$ 5,920,623	\$ 38,001	\$ 12,312,833
Assets				
Equity in Pooled Cash and Investments	\$ 6,354,209	\$ 5,920,623	\$ 38,001	\$ 12,312,833
Net Assets				
Unrestricted	\$ 6,354,209	\$ 5,920,623	\$ 38,001	\$ 12,312,833

See accompanying notes to the basic financial statements

Northern Buckeye Education Council
Henry County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$ <u>2,366,741</u>
Net Assets	
Unrestricted	\$ <u>2,366,741</u>

See accompanying notes to the basic financial statements

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**Northern Buckeye Education Council
Henry County**

*Statement of Activities and Net Assets - Modified Cash Basis
As of and for the Year Ended June 30, 2003*

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
Support Services:				
Administration	\$ 22,553	\$ 10,250	\$ -0-	\$ -0-
Fiscal	1,489	-0-	-0-	-0-
Central	<u>2,296,410</u>	<u>-0-</u>	<u>1,330,583</u>	<u>909,247</u>
<i>Total Governmental Activities</i>	2,320,452	10,250	1,330,583	909,247
Business-Type Activities				
Self-Funded Insurance	23,471,241	21,246,597	-0-	-0-
NWOCOA	8,789,925	6,780,806	-0-	-0-
Other	<u>281,000</u>	<u>26,500</u>	<u>-0-</u>	<u>-0-</u>
<i>Total Business-Type Activities</i>	<u>32,542,166</u>	<u>28,053,903</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 34,862,618</u>	<u>\$ 28,064,153</u>	<u>\$ 1,330,583</u>	<u>\$ 909,247</u>

General Receipts

Grants and Entitlements not Restricted to Specific Programs
Interest
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

Assets

Equity in Pooled Cash and Investments

Net Assets

Unrestricted

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$ 12,303)	\$ -0-	(\$ 12,303)
(1,489)	-0-	(1,489)
(56,580)	-0-	(56,580)
(70,372)	0	(70,372)
-0-	(2,224,644)	(2,224,644)
-0-	(2,009,119)	(2,009,119)
-0-	(254,500)	(254,500)
-0-	(4,488,263)	(4,488,263)
(70,372)	(4,488,263)	(4,558,635)
44,950	2,779,805	2,824,755
1,201	560,668	561,869
85,401	307,934	393,335
131,552	3,648,407	3,779,959
61,180	(839,856)	(778,676)
1,449,637	16,137,915	17,587,552
<u>\$ 1,510,817</u>	<u>\$ 15,298,059</u>	<u>\$ 16,808,876</u>
<u>\$ 1,510,817</u>	<u>\$ 15,298,059</u>	<u>\$ 16,808,876</u>
<u>\$ 1,510,817</u>	<u>\$ 15,298,059</u>	<u>\$ 16,808,876</u>

**Northern Buckeye Education Council
Henry County**

*Statement of Modified Cash Basis Assets and Fund Balances and
Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances - Governmental Funds
As of and for the Year Ended June 30, 2003*

	General	MCOECN	Other Governmental Funds	Total Governmental Funds
Receipts				
Intergovernmental	\$ -0-	\$ 1,330,583	\$ 954,197	\$ 2,284,780
Classroom Materials and Fees	10,250	-0-	-0-	10,250
Earnings on Investments	1,201	-0-	-0-	1,201
Miscellaneous	16,148	45,050	33,927	95,125
<i>Total Receipts</i>	<u>27,599</u>	<u>1,375,633</u>	<u>988,124</u>	<u>2,391,356</u>
Disbursements				
Support Services:				
Administration	22,553	-0-	-0-	22,553
Fiscal Services	889	600	-0-	1,489
Central	-0-	1,282,948	1,013,462	2,296,410
<i>Total Disbursements</i>	<u>23,442</u>	<u>1,283,548</u>	<u>1,013,462</u>	<u>2,320,452</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,157</u>	<u>92,085</u>	<u>(25,338)</u>	<u>70,904</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	2,378	1,548	-0-	3,926
Refund of Prior Year Receipts	-0-	-0-	(14,900)	(14,900)
Sale of Assets	-0-	1,250	-0-	1,250
<i>Total Other Financing Sources (Uses)</i>	<u>2,378</u>	<u>2,798</u>	<u>(14,900)</u>	<u>(9,724)</u>
<i>Net Change in Fund Balances</i>	6,535	94,883	(40,238)	61,180
<i>Cash Basis Fund Balances - Beginning of Year</i>	<u>26,504</u>	<u>982,389</u>	<u>440,744</u>	<u>1,449,637</u>
<i>Cash Basis Fund Balances - End of Year</i>	<u>\$ 33,039</u>	<u>\$ 1,077,272</u>	<u>\$ 400,506</u>	<u>\$ 1,510,817</u>
Assets				
Equity in Pooled Cash and Investments	<u>\$ 33,039</u>	<u>\$ 1,077,272</u>	<u>\$ 400,506</u>	<u>\$ 1,510,817</u>
Fund Balances				
Unreserved:				
Undesignated, Reported in:				
General Fund	33,039	-0-	-0-	33,039
Special Revenue Fund	-0-	1,077,272	(8,393)	1,068,879
Capital Projects Fund	-0-	-0-	408,899	408,899
Total Fund Balances	<u>\$ 33,039</u>	<u>\$ 1,077,272</u>	<u>\$ 400,506</u>	<u>\$ 1,510,817</u>

See accompanying notes to the basic financial statements

Northern Buckeye Education Council
Henry County
Statement of Modified Cash Basis Fund Net Assets and
Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Net Assets
Proprietary Funds
As of and for the Year Ended June 30, 2003

	Business - Type Activities			Total
	Self-Funded Insurance	NWOCA	Other Business- Type Funds	
Operating Receipts				
Member Contributions	\$ 21,246,597	\$ -0-	\$ -0-	\$ 21,246,597
Charges for Services	-0-	6,780,806	-0-	6,780,806
Classroom Materials and Fees	-0-	-0-	26,500	26,500
<i>Total Operating Receipts</i>	<u>21,246,597</u>	<u>6,780,806</u>	<u>26,500</u>	<u>28,053,903</u>
Operating Disbursements				
Personal Services	-0-	2,548,589	-0-	2,548,589
Retirement and Insurance	21,803,394	738,184	197,861	22,739,439
Purchased Services	1,654,912	2,945,982	82,720	4,683,614
Materials and Supplies	12,463	77,330	419	90,212
Capital Outlay	472	2,432,581	-0-	2,433,053
Other	-0-	47,259	-0-	47,259
<i>Total Operating Disbursements</i>	<u>23,471,241</u>	<u>8,789,925</u>	<u>281,000</u>	<u>32,542,166</u>
<i>Excess of Operating Disbursements over Receipts</i>	(2,224,644)	(2,009,119)	(254,500)	(4,488,263)
Non-Operating Receipts/(Disbursement)				
Intergovernmental Receipts	-0-	2,779,805	-0-	2,779,805
Sale of Assets	-0-	917	-0-	917
Earnings on Investments	251,738	306,600	2,330	560,668
Refund of Prior Years Expenditures	98,448	84,883	-0-	183,331
Return of Prior Years Receipts	(41,049)	(86,342)	-0-	(127,391)
Miscellaneous	-0-	-0-	251,077	251,077
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,915,507)	1,076,744	(1,093)	(839,856)
Other Financing Uses				
Operating Transfers In	-0-	1,136,319	-0-	1,136,319
Operating Transfer Out	-0-	(1,136,319)	-0-	(1,136,319)
<i>Change in Net Assets</i>	(1,915,507)	1,076,744	(1,093)	(839,856)
<i>Net Assets Beginning of Year</i>	<u>8,360,226</u>	<u>7,720,685</u>	<u>57,004</u>	<u>16,137,915</u>
<i>Net Assets End of Year</i>	<u>\$ 6,444,719</u>	<u>\$ 8,797,429</u>	<u>\$ 55,911</u>	<u>\$ 15,298,059</u>
Assets				
Equity in Pooled Cash and Investments	<u>\$ 6,444,719</u>	<u>\$ 8,797,429</u>	<u>\$ 55,911</u>	<u>\$ 15,298,059</u>
Net Assets				
Unrestricted	<u>\$ 6,444,719</u>	<u>\$ 8,797,429</u>	<u>\$ 55,911</u>	<u>\$ 15,298,059</u>

See accompanying notes to the basic financial statements

Northern Buckeye Education Council
Henry County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2003

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$ <u>2,065,283</u>
Net Assets	
Unrestricted	\$ <u>2,065,283</u>

See accompanying notes to the basic financial statements

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2004 and 2003**

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 greater 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Council's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Council's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Council are described in the appropriate sections in this note.

As a result of the use of this modified cash 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.

This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2004 and 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Accounting, Continued

contradict GASB pronouncements, in which case GASB prevails. The Council does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds.

Basis of Presentation

The Council's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Council as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Council that are governmental and those that are considered business-type. Governmental activities generally are financed through intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash and investment balances of the governmental and business-type activities of the Council at year end. The statement of activities compares disbursements with program receipts for each of the Council's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Council is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Council's general receipts.

Fund Financial Statements

During the year, the Council segregates transactions related to certain Council functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Council at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2004 and 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation, Continued

aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

Fund Accounting

The Council uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Council are divided into three categories, governmental, proprietary and fiduciary.

The Council classifies funds financed primarily from intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The General Fund and MCOECN Fund are the Council's major governmental funds:

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.

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.

The Council classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Council's major enterprise funds are:

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

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

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2004 and 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation, Continued

Council's agency funds account for amounts held for an entity for which the Council acts as fiscal agent and for amounts held on behalf of Council member employees.

Budgetary Process

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

Cash and Investments

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

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

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 at each fiscal year end.

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 modified cash basis of accounting used by the Council.

Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2004 and 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Assets, Continued

The Council's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves

The Council reserves any portion of fund balances which are legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for expenditure in future periods.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2003, the Council has implemented the display provisions of Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

GASB Statement No. 34 creates new basic financial statements for reporting on the Council's financial activities. The financial statements now include government-wide financial statements, which present information for the Council as a whole, split between governmental activities and business-type activities. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand Deposits	(\$ 736,200)	(\$ 1,084,879)
Certificates of Deposit	<u>1,056,628</u>	<u>2,591,799</u>
Total Deposits	320,428	1,506,920
Government Agency Securities	15,500,000	15,520,097
STAROhio	374,695	1,387,854
Repurchase Agreements	<u>147</u>	<u>459,288</u>
Total Investments	<u>15,874,842</u>	<u>17,367,239</u>
Total Deposits and Investments	<u>\$16,195,270</u>	<u>\$18,874,159</u>

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2004 and 2003

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

Equity in Pooled Cash and Cash Equivalents, Continued

Deposits

At June 30, 2004 the carrying amount of the Council's deposits was \$320,428 and the bank balance was \$1,420,090. At June 30, 2003 the carrying amount of the Council's deposits was \$1,506,920 and the bank balance was \$2,750,035. 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 \$200,000 and \$200,000 as of June 30, 2004 and 2003, respectively, 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.

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, 2004</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
STAROhio		\$ 374,695	\$ 374,695
Government Agency Securities	\$15,500,000	15,500,000	15,350,174
Repurchase Agreements	147	147	147
	<u>\$15,500,147</u>	<u>\$15,874,842</u>	<u>\$15,725,016</u>
<u>Investments- June 30, 2003</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
STAROhio		\$ 1,387,854	\$ 1,387,854
Government Agency Securities	\$15,520,097	15,520,097	15,534,854
Repurchase Agreements	459,288	459,288	459,288
	<u>\$15,979,385</u>	<u>\$17,367,239</u>	<u>\$17,381,996</u>

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2004 and 2003**

NOTE 5 - STATE TEACHERS RETIREMENT SYSTEM

The Council contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a stand-alone financial report. The report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio Funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal years ended June 30, 2004 and 2003, plan members were required to contribute 10 and 9.3 percent, respectively, of their annual covered salaries. The Council was required to contribute 14 percent. 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, 2004, 2003, and 2002, were \$138,787, \$132,548, and \$120,742, respectively; 100 percent has been contributed for fiscal years 2004, 2003 and 2002.

NOTE 6 - SCHOOL EMPLOYEES RETIREMENT SYSTEM

The Council contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2004 and 2003

NOTE 6 - SCHOOL EMPLOYEES RETIREMENT SYSTEM, Continued

Employees Retirement Board. 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 state statute per 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

For the fiscal years ended June 30, 2004 and 2003, plan members were required to contribute 10 and 9%, respectively, 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. 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, 2004, 2003, and 2002 were \$381,417, \$384,002, and \$355,981, respectively; 100 percent has been contributed for fiscal years 2004, 2003 and 2002.

NOTE 7 - POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2004 and June 30, 2003, the board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 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

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2004 and 2003

NOTE 7 - POSTEMPLOYMENT BENEFITS, Continued

retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2004, the healthcare allocation rate is 4.91 percent. 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 2004, the minimum pay has been established as \$24,500. 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, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million. The number of participants currently receiving health care benefits is approximately 62,000.

NOTE 8 - RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2004, the Council is considered covered under the commercial coverage obtained by Four County Career Center for property insurance through a shared premiums agreement. All other insurance described here was obtained through Ohio Schools Risk Sharing Authority. Professional liability is protected with a \$3,000,000 Errors & Omissions policy with a \$5,000 deductible. General liability is protected with a \$3,000,000 single occurrence limit and \$5,000,000 annual aggregate, with a \$0 deductible per occurrence. Vehicles are covered with a \$3,000,000 combined single limit of liability with \$0 deductibles.

Settled claims have not exceeded this commercial coverage in the past five years. There have been no significant reductions in insurance coverage from last year.

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2004 and 2003

NOTE 8 - RISK MANAGEMENT, Continued

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, 2004 and 2003. 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 \$3,127,000 and \$3,386,000 as of June 30, 2004, and 2003, respectively.

The Council has contracted for stop loss insurance on medical and prescription card benefits which limits the Council's liability to \$200,000 per participant per fiscal year and to an aggregate liability of \$24,834,000 and \$26,323,000 for the fiscal years ended June 30, 2004 and 2003, respectively.

NOTE 9 - 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.

NOTE 10 - 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 conducted in three phases that were all completed prior to June 30, 2004. Construction, maintenance, and leasing costs for the network were financed by fees assessed the member districts. The Council committed to lease 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 \$39,000 over the remaining eighteen-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 \$200,000 at June 30, 2004 and are to be paid over the next nineteen years. The second lease agreement covering Phase Two calls for maintenance fees totaling \$480,000 to be paid over the next fifteen years. There are no commitments related to Phase Three after completion of its construction.

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2004 and 2003

NOTE 10 - COMMITMENTS AND CONTINGENCIES, 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 is 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 adverse effect on any of the financial statements of the Council at June 30, 2004 and 2003.



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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Northern Buckeye Education Council as of and for the years ended June 30, 2004 and 2003, and have issued our report thereon dated December 29, 2004, in which we noted that the Council has adopted the display provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. Our opinion was qualified because the Council did not disclose certain claims information related to its public entity risk pool activities which are required by its accounting basis. We also noted that the Council did not present certain required supplementary information required by its basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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
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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 Council, and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Debra J. Brown Ltd.

December 29, 2004



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Betty Montgomery**

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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
MAY 4, 2006**