



Dave Yost • Auditor of State



**NORTHERN BUCKEYE EDUCATION COUNCIL  
FULTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of Northern Buckeye Education Council, Fulton County, Ohio (the Council) as of and for the years ended June 30, 2016 and 2015.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Council's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Council prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, are presumed to be material.

Though the Council does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Northern Buckeye Education Council, Fulton County, Ohio as of June 30, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2017, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 20, 2017

**NORTHERN BUCKEYE EDUCATION COUNCIL  
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Membership Fees	\$9,500		\$9,500
Intergovernmental		\$2,449,587	2,449,587
Earnings on Investments	176		176
<i>Total Cash Receipts</i>	<u>9,676</u>	<u>2,449,587</u>	<u>2,459,263</u>
<b>Cash Disbursements</b>			
Supporting Services:			
Administration	7,409		7,409
Fiscal Services	633		633
Technical		2,447,587	2,447,587
<i>Total Cash Disbursements</i>	<u>8,042</u>	<u>2,447,587</u>	<u>2,455,629</u>
<i>Excess of Receipts Over Disbursements</i>	1,634	2,000	3,634
<i>Fund Cash Balances, January 1</i>	<u>47,914</u>		<u>47,914</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		2,000	2,000
Unassigned	49,548		49,548
<i>Fund Cash Balances, December 31</i>	<u>\$49,548</u>	<u>\$2,000</u>	<u>\$51,548</u>

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

**NORTHERN BUCKEYE EDUCATION COUNCIL  
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Internal Service	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$11,000,530		\$11,000,530
<b>Operating Cash Disbursements</b>			
Salaries	2,198,266		2,198,266
Employee Fringe Benefits	700,521		700,521
Purchased Services	6,626,022		6,626,022
Other	44,139		44,139
<i>Total Operating Cash Disbursements</i>	<u>9,568,948</u>		<u>9,568,948</u>
<i>Operating Income</i>	<u>1,431,582</u>		<u>1,431,582</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	417,686	\$895,651	1,313,337
Earnings on Investments	28,246		28,246
Capital Outlay	(1,406,113)		(1,406,113)
Miscellaneous Receipts	5,724		5,724
Pass Through		(\$895,651)	(895,651)
Refund of Prior Year Disbursements	13,541		13,541
Refund of Prior Year Receipts	(1,231,064)		(1,231,064)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(2,171,980)</u>		<u>(2,171,980)</u>
<i>Net Change in Fund Cash Balances</i>	(740,398)		(740,398)
<i>Fund Cash Balances, January 1</i>	<u>9,405,459</u>		<u>9,405,459</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$8,665,061</u></u>		<u><u>\$8,665,061</u></u>

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



NORTHERN BUCKEYE EDUCATION COUNCIL  
FULTON COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCE (CASH BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>General</u>
<b>Cash Receipts</b>	
Membership Fees	\$9,500
Earnings on Investments	<u>136</u>
<i>Total Cash Receipts</i>	<u>9,636</u>
<b>Cash Disbursements</b>	
Supporting Services:	
Administration	16,188
Fiscal Services	<u>621</u>
<i>Total Cash Disbursements</i>	<u>16,809</u>
<i>Excess of Disbursements Over Receipts</i>	(7,173)
<i>Fund Cash Balance, January 1</i>	<u>55,087</u>
<b>Fund Cash Balance, December 31</b>	
Unassigned	<u>47,914</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$47,914</u></u>

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

**NORTHERN BUCKEYE EDUCATION COUNCIL  
FULTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Internal Service	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$11,317,511		\$11,317,511
Miscellaneous	17,134		17,134
<i>Total Operating Cash Receipts</i>	<u>11,334,645</u>		<u>11,334,645</u>
<b>Operating Cash Disbursements</b>			
Salaries	3,372,170		3,372,170
Employee Fringe Benefits	1,041,261		1,041,261
Purchased Services	8,257,236		8,257,236
Supplies and Materials	27,581		27,581
Other	75,432		75,432
<i>Total Operating Cash Disbursements</i>	<u>12,773,680</u>		<u>12,773,680</u>
<i>Operating Loss</i>	<u>(1,439,035)</u>		<u>(1,439,035)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	3,193,445	\$1,263,951	4,457,396
Earnings on Investments	20,815		20,815
Capital Outlay	(1,630,447)		(1,630,447)
Pass Through		(1,263,951)	(1,263,951)
Refund of Prior Year Disbursements	47,229		47,229
Refund of Prior Year Receipts	(1,054,000)		(1,054,000)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>577,042</u>		<u>577,042</u>
<i>Loss before Special Item</i>	<u>(861,993)</u>		<u>(861,993)</u>
Special Item		(6,646,327)	(6,646,327)
<i>Net Change in Fund Cash Balances</i>	<u>(861,993)</u>	<u>(6,646,327)</u>	<u>(7,508,320)</u>
<i>Fund Cash Balances, January 1</i>	<u>10,267,452</u>	<u>\$6,646,327</u>	<u>16,913,779</u>
<i>Fund Cash Balances, December 31</i>	<u>\$9,405,459</u>		<u>\$9,405,459</u>

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

**NORTHERN BUCKEYE EDUCATION COUNCIL  
FULTON COUNTY, OHIO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

**NOTE 1- REPORTING ENTITY**

**Description of the Entity**

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

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

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

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Council's financial statements are prepared using another comprehensive basis of accounting, as prescribed or permitted by the Auditor of State. Receipts are recorded in the Council's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. As a result of the use of this other comprehensive basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**Fund Accounting**

The Council uses fund accounting to segregate cash and investments that are restricted as to use.

The Council classifies its funds into the following types:

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

*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:

State Software Development Team (SSDT) Grant — The fund accounts for an annual grant from the Ohio Department of Education for the development and support of statewide provided software for Ohio's school districts.

**NORTHERN BUCKEYE EDUCATION COUNCIL  
FULTON COUNTY, OHIO  
NOTES TO FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- continued**

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

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

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

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

**Budgetary Process**

The Council is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Council annually approves the budget for the Council. The budget includes an estimate of amounts expected to be received and expended (appropriations) by the Council during the fiscal year. Budget amendments are approved by the Board of Directors during the year as required. The Council reserves (encumbers) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 and 2015 budgetary activity appears in Note 7.

**Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. Government agency obligations are valued at cost. The Council's money market mutual fund is recorded at the amount reported by Charles Schwab at June 30, 2016 and 2015. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**Property, Plant and Equipment**

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

**Unpaid Vacation and Sick Leave**

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

**Fund Balance**

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

**NORTHERN BUCKEYE EDUCATION COUNCIL  
 FULTON COUNTY, OHIO  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015  
 (Continued)**

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

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

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

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

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

The Council first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

**Special Items**

Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

**NOTE 3 EQUITY IN POOLED CASH AND INVESTMENTS**

The Council maintains a cash and investments pool used by all funds. The carrying amount of cash and investments at June 30, 2016 and 2015 was as follows:

	2016	2015
Demand Deposits	\$ 4,102,430	\$ 5,912,443
U.S. Government Agency Securities	2,794,566	3,098,328
STAR Ohio	1,488,598	435,773
Money Market Mutual Fund	331,015	6,829
Total Investments	4,614,179	3,540,930
Total Deposits and Investments	<u>\$ 8,716,609</u>	<u>\$ 9,453,373</u>

**NORTHERN BUCKEYE EDUCATION COUNCIL  
FULTON COUNTY, OHIO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015  
(Continued)**

**Deposits**

Deposits are either insured by the Federal Depository Insurance Corporation or secured by collateralized pools securing all public funds on deposit with specific financial institutions.

**Investments**

The Federal Reserve holds the Council's U.S. Government Agency securities in book-entry form, in the name of the Council's financial institution. The financial institution maintains records identifying the Council as owner of these securities. Investments in STAR Ohio and money market mutual funds are not evidenced by securities that exist in physical or book-entry form.

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

**NOTE 4-RETIREMENT SYSTEMS**

Certified teachers employed by the Council participate in the State Teachers Retirement System of Ohio (STRS). The Council's other employees belong to the School Employees Retirement System of Ohio (SERS). STRS and SERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code. For the year ended June 30, 2016, STRS members contributed 13.00 percent of their wages and the Council contributed an amount equal to 14.00 percent of participants' gross salaries. For the year ended June 30, 2015, STRS members contributed 12.00 percent of their wages and the Council contributed an amount equal to 14.00 percent of participants' gross salaries. For the years ended June 30, 2016 and 2015 SERS members contributed 10.00 percent of their wages and the Council contributed an amount equal to 14.00 percent of participants' gross salaries. The Council has paid all required contributions through June 30, 2016.

**NOTE 5- RISK MANAGEMENT**

The Council has obtained commercial insurance for the following risks:

- Education Liability
- General Liability
- Automobile Liability

**NOTE 6- COMMITMENTS, RISKS AND CONTINGENCIES**

**Commitments**

During the fiscal year ended June 30, 2002, the Council undertook feasibility studies and solicited bids for a dedicated fiber optic line connecting all the member districts to NWOCA. This project was completed in three geographic areas (phases), that were all finalized prior to June 30, 2004. Construction, maintenance and leasing costs for this network are to be financed by fees assessed the member districts. The Council committed to lease a part of the fiber optic line in Phase One of the network and construct the remainder. The leased portion of Phase One calls for maintenance charges totaling \$28,800 over the remaining twelve-year term of the lease. The Council committed to leasing the fiber optic line in Phase Two, for which the Council entered into two lease agreements. The first lease agreement runs twenty years, and remaining maintenance charges under the agreement totaled \$150,800 to be paid over the next thirteen years. The second lease agreement covering Phase Two calls for maintenance fees totaling

**NORTHERN BUCKEYE EDUCATION COUNCIL  
 FULTON COUNTY, OHIO  
 NOTES TO FINANCIAL STATEMENTS  
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 (Continued)**

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

The Council leases office space under a noncancelable lease. On June 30, 2010 the Council entered into an amended lease agreement that expires August 17, 2034. Under the terms of the agreement, the Council pays annual lease payments of \$200,964 starting August 15, 2010 and continuing for 20 years. After 20 years, the Council will pay an annual management fee of \$10,964. The Council is also responsible for paying a portion of the utilities, building and ground maintenance, garbage and refuse service, assessments, and insurance. The total lease disbursements, including additional fees, for fiscal year 2016 and 2015 were \$360,957 and \$334,311 respectively.

**Contingencies**

The Council receives substantial financial assistance from various federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the Council at June 30, 2016 and 2015.

**NOTE 7 – BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,650	\$9,676	\$26
Special Revenue	2,421,000	2,449,587	28,587
Internal Service	11,220,000	11,465,727	245,727
Agency		895,651	895,651
Total	\$13,650,650	\$14,820,641	\$1,169,991

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$25,200	\$8,042	\$17,158
Special Revenue	2,632,001	2,447,587	184,414
Internal Service	14,245,533	12,206,125	2,039,408
Agency		895,651	(895,651)
Total	\$16,902,734	\$15,557,405	\$1,345,329

**NORTHERN BUCKEYE EDUCATION COUNCIL  
FULTON COUNTY, OHIO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015  
(Continued)**

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,700	\$9,636	(\$64)
Internal Service	14,151,757	14,596,134	444,377
Agency		1,263,951	1,263,951
Total	<u>\$14,161,457</u>	<u>\$15,869,721</u>	<u>\$1,708,264</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$24,030	\$16,809	\$7,221
Internal Service	19,636,686	15,458,127	4,178,559
Agency	887,807	7,910,278	(7,022,471)
Total	<u>\$20,548,523</u>	<u>\$23,385,214</u>	<u>(\$2,836,691)</u>

**NOTE 8 – JOINTLY GOVERNED ORGANIZATIONS**

**Ohio Collaborative Services Consortium**

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

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

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

On May 26, 2015, the NBEC Board of Directors voted to withdraw from the Ohio Collaborative Services Consortium. An official notification of this withdrawal was emailed to OCSC on May 28, 2016. During fiscal year 2016 and 2015, no funds were paid by the Council to the OCSC. Financial Information can be obtained from the Ohio Collaborative Services Consortium, 100 Executive Drive, Marion, Ohio 43302.

**NOTE 9 – SPECIAL ITEM**

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



**NORTHERN BUCKEYE EDUCATION COUNCIL  
FULTON COUNTY, OHIO  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015  
(Continued)**

**NOTE 10 – SUBSEQUENT EVENTS**

On August 29, 2016 the Council executed an amended and restated lease agreement with the Northwest Ohio Educational Service Center (NWOESC) for office space at the Archbold facility. On September 6, 2016, the Council paid NWOESC \$1,487,793, which represented payment in full for NBEC's portion of the Archbold facility. Per the terms of the lease, the NWOESC and NBEC will share equally in all ongoing maintenance of the facility. NBEC will pay an annual administration fee to the NWOESC for overseeing the financial obligations maintaining the facility..

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# Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Northern Buckeye Education Council, Fulton County, Ohio (the Council) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated March 20, 2017, wherein we noted the Council followed reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Council's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider finding 2016-001 to be material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our

audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to Findings***

The Council's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Council's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 20, 2017

**NORTHERN BUCKEYE EDUCATION COUNCIL  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Material Weakness - Financial Reporting**

Sound financial reporting is the responsibility of the Treasurer and Board and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

The 2016 financial statements contained the following error:

The State Software Development Team (SSDT) 2015 contract was accounted for in the SSDT 2016 grant Special Revenue fund in 2016 rather the NWOCA fund (025). This resulted in an overstatement in the amount of \$182,413 in beginning fund balance and Technical expenditures in the Special Revenue fund type and an understatement in the amount of \$182,413 in beginning fund balance and Purchased and Contracted Services operating expenditures in the Internal Service fund type in 2016.

As a result of this error, the Council's financial statements did not correctly reflect the financial activity of the Council for the fiscal year and were posted to the financial statements. Adjustments to the financial statements were made to reflect the error.

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

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

**Officials' Response:**

No funds are missing. All funds that were received and spent by the Council are accounted for. They were simply reported in the wrong fund type in the financial report. This entire situation occurred because the Ohio Department of Education suddenly in FY16 made the SSDT Grant a 499 fund after over 30 years as a 025 fund. The grant documents with this information were not received until well into the fiscal year after expenses had already been reported in the 025 fund. I had to run an account change at this point which moved the FY15 carryover into the 499 fund.

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# Dave Yost • Auditor of State

**NORTHERN BUCKEYE EDUCATION COUNCIL**

**FULTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 6, 2017**