



**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2022-2021

**OHIO AUDITOR OF STATE
KEITH FABER**



**BAY AREA COUNCIL OF GOVERNMENTS
 ERIE COUNTY
 JUNE 30, 2022 AND 2021**

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

Bay Area Council of Governments
Erie County
4918 Milan Road
Sandusky, Ohio 44870

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Bay Area Council of Governments, Erie County, Ohio (the Council), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Bay Area Council of Governments, Erie County, Ohio as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 5 to the 2022 and 2021 basic financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Council. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2023, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 17, 2023

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**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The management's discussion and analysis of the Bay Area Council of Governments' (the Council) financial performance provides an overall review of the Council's financial activities for the fiscal year ending June 30, 2022. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2022 are as follows:

- Total net position of the Council was \$626,146 as of June 30, 2022. This was an increase of \$28,176 or 4.81% from the balance as of June 30, 2021.
- The Council had operating revenues of \$1,062,324 and operating expenses of \$1,033,608 during fiscal year 2022.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Council's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the Council, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about how the Council finances and meets the cash flow needs of its operations.

Reporting the Council Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2022?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Council's *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the Council as a whole, the *financial position* of the Council has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

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**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

The table below provides a summary of the Council's net position at June 30, 2022 and June 30, 2021.

	Net Position	
	2022	2021
<u>Assets</u>		
Current assets	\$ 626,146	\$ 597,430
<u>Net Position</u>		
Unrestricted	\$ 626,146	\$ 597,430

The table below shows the changes in net position for fiscal years 2022 and 2021.

	Change in Net Position	
	2022	2021
<u>Operating Revenues:</u>		
Contributions from member districts	\$ 1,062,023	\$ 941,710
Administrative surcharge	301	503
Total operating revenues	1,062,324	942,213
<u>Operating Expenses:</u>		
Salaries and wages	4,030	3,991
Fringe benefits	634	628
Gas expense	1,027,928	987,480
Materials and supplies	266	445
Fees	750	2,185
Total operating expenses	1,033,608	994,729
Change in net position	28,716	(52,516)
Net position at the beginning of the year	597,430	649,946
Net position at the end of the year	\$ 626,146	\$ 597,430

The primary operating revenues of the Council are revenues from member districts. These revenues account for 99.97% all revenues for the Council. The largest expense of the Council is for gas expense which accounts for 99.45% of expenses. The change in net position from 2021 to 2022 was not significant.

The chart below illustrates the revenues and expenses for the Council for fiscal years 2022 and 2021.



**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED)

Capital Assets

At June 30, 2022, the Council had no capital assets.

Long-Term Obligations

At June 30, 2022, the Council had no long-term obligations.

Current Financial Related Activities

The Council purchases discounted natural gas on behalf of twenty-eight local districts/public entities. Monthly bills are sent to each member district and that money is used to pay the Council's monthly bill to the Ohio Schools Council. The Council belongs to the Ohio Schools Council which it uses as a bidding agency for gas purchases. North Point Educational Service Center (ESC) serves as fiscal agent of the Council and charges a 0.75% fee on top of the monthly gas bill.

Contacting the Council's Financial Management

This financial report is designed to provide our member districts and taxpayers in local school districts with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information contact Matt Bauer, Treasurer, North Point ESC, 4918 Milan Road, Sandusky, Ohio 44870.

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2022

Assets:	
Current assets:	
Cash with fiscal agent	\$ 539,173
Cash in segregated accounts	<u>86,973</u>
Total assets	<u>626,146</u>
 Net position:	
Unrestricted	<u><u>\$ 626,146</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Operating revenues:	
Contributions from member districts	\$ 1,062,023
Administrative surcharge	301
Total operating revenues	<u>1,062,324</u>
Operating expenses:	
Salaries and wages	4,030
Fringe benefits	634
Gas expense	1,027,928
Materials and supplies	266
Fees	750
Total operating expenses	<u>1,033,608</u>
Operating income/change in net position	28,716
Net position at beginning of year	<u>597,430</u>
Net position at end of year	<u>\$ 626,146</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Cash flows from operating activities:	
Cash received from contributions from member districts	\$ 1,062,023
Cash payments from administrative surcharges	301
Cash payments for salaries and wages	(4,030)
Cash payments for fringe benefits	(634)
Cash payments for gas expense	(1,027,928)
Cash payments for materials and supplies	(266)
Cash payments for fees	<u>(750)</u>
Net cash provided by operating activities	<u>28,716</u>
Net increase in cash and cash cash equivalents	28,716
Cash and cash equivalents at beginning of year	597,430
Cash and cash equivalents at end of year	<u><u>\$ 626,146</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 28,716</u>
Net cash provided by operating activities	<u><u>\$ 28,716</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - DESCRIPTION OF THE ENTITY

The Bay Area Council of Governments (the Council) was organized December 1986 as a Council of Governments. The Council is presently composed of twenty-eight school districts, and Huron County Board of Developmental Disabilities. The Council purchases natural gas and pays to transport through interstate pipelines into Columbia Gas of Ohio lines. Members pay the Council for gas, plus transportation costs to get the gas to Columbia Gas of Ohio. They are billed by Columbia Gas of Ohio for local transportation costs and monthly service charges.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Council's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Council are not misleading. The Council has no component units and no other governmental organizations other than the Council itself are included in the financial reporting entity.

B. Fund Accounting

The Council maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Council uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

C. Basis of Presentation

The Council's basic financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows. The Council uses a single enterprise fund to maintain its financial records during the fiscal year.

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. For financial statement presentation purposes, the Council utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred. Revenues received in advance are unearned and recognized as earned over the period to which they relate.

The Council's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the Council's operations are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Council finances and meets the cash flows of its enterprise activity.

The Council distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from dues assessed to member districts. Operating expenses for the Council include the cost of providing these services, including administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues include grants and interest earnings.

E. Cash and Investments

North Point Educational Service Center (the ESC), as the council's Fiscal Agent, maintains the Council's books under a specific fund designated for council activity. The Fiscal Agent is responsible for administering the financial transactions of the Council.

The Council reports "cash in segregated accounts" for monies maintained at the Ohio Schools Council (the OSC) related to the gas purchasing program. The balance of cash held by the OSC at any year-end may be refunded or used to keep billings during the current month. Annually, the Council has a "true up" with the OSC whereby excess monies are either returned to the Council (for distribution back to Member Districts) or, if the Council has a deficit balance, additional monies are required to be deposited with the OSC.

Cash received by the Council is maintained in the cash management pool of the ESC as Fiscal Agent. For purposes of the statement of cash flows and for reporting on the statement of net position, investments held by the Fiscal Agent in the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Fiscal Agent are considered to be "cash equivalents". Investments purchased with an initial maturity of more than three months are considered to be "investments".

An analysis of the Council's cash and investments at fiscal year-end is provided in Note 3.

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Council applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

G. Budgetary Process

The Ohio Revised Code does not require the Council to budget annually. However, the management prepares a budget for internal monitoring. Budgetary basis expenditures include outstanding fiscal year end encumbrances, where applicable. A summary of current fiscal year budgetary activity appears in Note 4.

H. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS

A. Cash with Fiscal Agent

At June 30, 2022, the carrying amount of the Council's deposits held by the ESC as its Fiscal Agent was \$539,173. During fiscal year 2022, deposits maintained by the ESC in financial institutions were covered by the Federal Deposit Insurance Corporation or were exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the ESC will not be able to recover deposits or collateral securities that are in the possession of an outside party. The ESC has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the ESC and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

B. Cash in Segregated Accounts

At June 30, 2022, the Council had a balance of \$86,973 with the Ohio Schools Council. This balance may be returned to the Council or used to pay for future costs associated with the natural gas program.

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 4 - BUDGETARY ACTIVITY

While reporting financial position, results of operations, and changes in net position on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash disbursements plus outstanding encumbrances at fiscal year end.

Budgetary activity for the fiscal year ended June 30, 2022 is as follows:

Budgeted vs. Actual Budgetary Basis Revenues and Expenditures

	<u>Budgeted</u>		<u>Actual</u>		<u>Variance</u>
Revenues	\$ 1,400,000		\$ 1,032,733	\$	(367,267)
Expenditures	1,940,050		1,033,608		906,442

NOTE 5 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Council. The impact on the Council's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

The management's discussion and analysis of the Bay Area Council of Governments' (the Council) financial performance provides an overall review of the Council's financial activities for the fiscal year ending June 30, 2021. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

- Total net position of the Council was \$597,430 as of June 30, 2021. This was a decrease of \$52,516 or 8.08% from the balance as of June 30, 2020.
- The Council had operating revenues of \$942,213 and operating expenses of \$994,729 during fiscal year 2021.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Council's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the Council, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about how the Council finances and meets the cash flow needs of its operations.

Reporting the Council Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2021?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Council's *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the Council as a whole, the *financial position* of the Council has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

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**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)

The table below provides a summary of the Council's net position at June 30, 2021 and June 30, 2020.

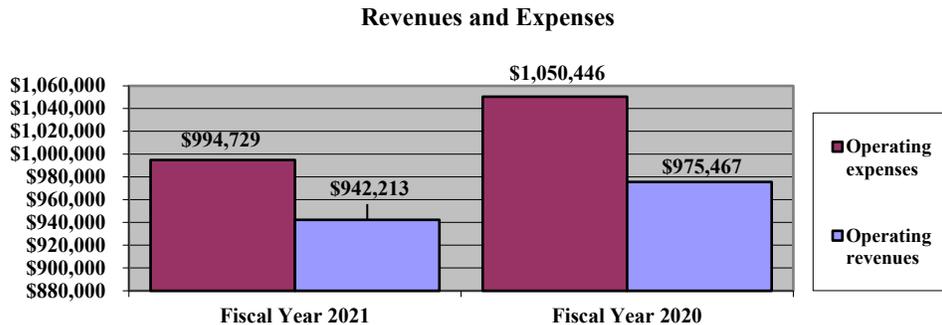
	Net Position	
	2021	2020
<u>Assets</u>		
Current assets	\$ 597,430	\$ 649,946
<u>Net Position</u>		
Unrestricted	\$ 597,430	\$ 649,946

The table below shows the changes in net position for 2021 and 2020.

	2021	2020
<u>Operating Revenues:</u>		
Revenues from member districts	\$ 941,710	\$ 975,125
Administrative surcharge	503	342
Total operating revenues	942,213	975,467
<u>Operating Expenses:</u>		
Salaries and wages	3,991	3,781
Fringe benefits	628	597
Gas expense	987,480	1,044,894
Materials and supplies	445	424
Fees	2,185	750
Total operating expenses	994,729	1,050,446
Change in net position	(52,516)	(74,979)
Net position at the beginning of the year	649,946	724,925
Net position at the end of the year	\$ 597,430	\$ 649,946

The primary operating revenues of the Council are revenues from member districts. These revenues account for 99.95% all revenues for the Council. The largest expense of the Council is for gas expense which accounts for 99.27% of expenses. The decrease in net position is the result of normal operations.

The chart below illustrates the revenues and expenses for the Council for fiscal year 2021 and 2020.



**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(UNAUDITED)**

Capital Assets

At June 30, 2021, the Council had no capital assets.

Long-Term Obligations

At June 30, 2021, the Council had no long-term obligations.

Current Financial Related Activities

The Council purchases discounted natural gas on behalf of twenty-eight local districts/public entities. Monthly bills are sent to each member district and that money is used to pay the Council's monthly bill to the Ohio Schools Council. The Council belongs to the Ohio Schools Council which it uses as a bidding agency for gas purchases. North Point Educational Service Center (ESC) serves as fiscal agent of the Council and charges a 0.75% fee on top of the monthly gas bill.

Contacting the Council's Financial Management

This financial report is designed to provide our member districts and taxpayers in local school districts with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information contact Matt Bauer, Treasurer, North Point ESC, 4918 Milan Road, Sandusky, Ohio 44870.

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2021

Assets:	
Current assets:	
Cash with fiscal agent	\$ 540,047
Cash in segregated accounts.	<u>57,383</u>
Total assets.	<u>597,430</u>
 Net position:	
Unrestricted	<u><u>\$ 597,430</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Operating revenues:	
Contributions from member districts	\$ 941,710
Administrative surcharge	503
Total operating revenues	<u>942,213</u>
Operating expenses:	
Salaries and wages.	3,991
Fringe benefits.	628
Gas expense	987,480
Materials and supplies	445
Fees.	<u>2,185</u>
Total operating expenses.	<u>994,729</u>
Operating loss/change in net position	(52,516)
Net position at beginning of year	<u>649,946</u>
Net position at end of year	<u>\$ 597,430</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Cash flows from operating activities:	
Cash received from contributions from member districts . . .	\$ 941,710
Cash payments from administrative surcharges	503
Cash payments for salaries and wages.	(3,991)
Cash payments for fringe benefits	(628)
Cash payments for gas expense	(987,480)
Cash payments for materials and supplies	(445)
Cash payments for fees.	<u>(2,185)</u>
Net cash used in operating activities	<u>(52,516)</u>
Net decrease in cash and cash cash equivalents	(52,516)
Cash and cash equivalents at beginning of year	<u>649,946</u>
Cash and cash equivalents at end of year	<u><u>\$ 597,430</u></u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (52,516)</u>
Net cash used in operating activities	<u><u>\$ (52,516)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 1 - DESCRIPTION OF THE ENTITY

The Bay Area Council of Governments (the Council) was organized December 1986 as a Council of Governments. The Council is presently composed of twenty-eight school districts, and Huron County Board of Developmental Disabilities. The Council purchases natural gas and pays to transport through interstate pipelines into Columbia Gas of Ohio lines. Members pay the Council for gas, plus transportation costs to get the gas to Columbia Gas of Ohio. They are billed by Columbia Gas of Ohio for local transportation costs and monthly service charges.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Council's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the Council are not misleading. The Council has no component units and no other governmental organizations other than the Council itself are included in the financial reporting entity.

B. Fund Accounting

The Council maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Council uses an enterprise fund to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for public policy, management control, accountability or other purposes.

C. Basis of Presentation

The Council's basic financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, and a statement of cash flows. The Council uses a single enterprise fund to maintain its financial records during the fiscal year.

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. For financial statement presentation purposes, the Council utilizes the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred. Revenues received in advance are unearned and recognized as earned over the period to which they relate.

The Council's activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the Council's operations are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Council finances and meets the cash flows of its enterprise activity.

The Council distinguishes operating revenues and expenses from nonoperating items. Operating revenues generally result from dues assessed to member districts. Operating expenses for the Council include the cost of providing these services, including administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues include grants and interest earnings.

E. Cash and Investments

North Point Educational Service Center (the ESC), as the council's Fiscal Agent, maintains the Council's books under a specific fund designated for council activity. The Fiscal Agent is responsible for administering the financial transactions of the Council.

The Council reports "cash in segregated accounts" for monies maintained at the Ohio Schools Council (the OSC) related to the gas purchasing program. The balance of cash held by the OSC at any year-end may be refunded or used to keep billings during the current month. Annually, the Council has a "true up" with the OSC whereby excess monies are either returned to the Council (for distribution back to Member Districts) or, if the Council has a deficit balance, additional monies are required to be deposited with the OSC.

Cash received by the Council is maintained in the cash management pool of the ESC as Fiscal Agent. For purposes of the statement of cash flows and for reporting on the statement of net position, investments held by the Fiscal Agent in the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Fiscal Agent are considered to be "cash equivalents". Investments purchased with an initial maturity of more than three months are considered to be "investments".

An analysis of the Council's cash and investments at fiscal year-end is provided in Note 3.

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Council applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

G. Budgetary Process

The Ohio Revised Code does not require the Council to budget annually. However, the management prepares a budget for internal monitoring. Budgetary basis expenditures include outstanding fiscal year end encumbrances, where applicable. A summary of current fiscal year budgetary activity appears in Note 4.

H. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CASH AND CASH EQUIVALENTS

A. Cash with Fiscal Agent

At June 30, 2021, the carrying amount of the Council's deposits held by the ESC as its Fiscal Agent was \$540,047. During fiscal year 2021, deposits maintained by the ESC in financial institutions were covered by the Federal Deposit Insurance Corporation or were exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the ESC will not be able to recover deposits or collateral securities that are in the possession of an outside party. The ESC has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the ESC and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

B. Cash in segregated accounts

At June 30, 2021, the Council had a balance of \$57,383 with the Ohio Schools Council. This balance may be returned to the Council or used to pay for future costs associated with the natural gas program.

**BAY AREA COUNCIL OF GOVERNMENTS
ERIE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE 4 - BUDGETARY ACTIVITY

While reporting financial position, results of operations, and changes in net position on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash disbursements plus outstanding encumbrances at fiscal year end.

Budgetary activity for the fiscal year ended June 30, 2021 is as follows:

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 1,400,000	\$ 991,219	\$ (408,781)
Expenditures	1,943,560	994,729	948,831

NOTE 5 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Council. The impact on the Council's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

Bay Area Council of Governments
Erie County
4918 Milan Road
Sandusky, Ohio 44870

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Bay Area Council of Governments, Erie County, Ohio (the Council) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated May 17, 2023, wherein noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Council.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

May 17, 2023

OHIO AUDITOR OF STATE KEITH FABER



BAY AREA COUNCIL OF GOVERNMENTS

ERIE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/1/2023

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

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