

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009



Dave Yost • Auditor of State

Board of Directors
Northern Buckeye Education Council
209 Nolan Parkway
P.O. Box 407
Archbold, Ohio 43502

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, 2008 through June 30, 2010. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 25, 2011

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash and Investment Balances - All Governmental Fund Types - As of and for the Year Ended June 30, 2010	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash and Investment Balances - All Proprietary Fund Types and Similar Fiduciary Funds - As of and for the Year Ended June 30, 2010	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash and Investment Balances - All Governmental Fund Types - As of and for the Year Ended June 30, 2009	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash and Investment Balances - All Proprietary Fund Types and Similar Fiduciary Funds - As of and for the Year Ended June 30, 2009	6
Notes to Financial Statements	7 - 13
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	14 - 15

This Page is Intentionally Left Blank.



INDEPENDENT AUDITORS' REPORT

Board of Directors
Northern Buckeye Education Council
Henry County, Ohio
209 Nolan Parkway, PO Box 407
Archbold, OH 43502

We have audited the accompanying financial statements of Northern Buckeye Education Council, Henry County, Ohio (the "Council"), as of and for the years ended June 30, 2010 and 2009. 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 audit.

We conducted our audits in accordance with 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. 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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

As described more fully in Note 2, the Council has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Council's larger (i.e., major) funds separately. While the Council does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Council has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Board of Directors
Northern Buckeye Education Council
Henry County, Ohio
Page 2

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Council as of June 30, 2010 and 2009, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash and investment balances of the Northern Buckeye Education Council, Henry County, Ohio as of June 30, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis described in Note 2.

The Council has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2011, 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.



March 28, 2011

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH AND INVESTMENT BALANCES - ALL GOVERNMENTAL FUND TYPES
As of and for the Year Ended June 30, 2010

	GOVERNMENTAL FUND TYPES			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Intergovernmental	\$ -0-	\$ 543,060	\$ -0-	\$ 543,060
Classroom Materials and Fees	10,250	-0-	-0-	10,250
Earnings on Investments	1,712	-0-	-0-	1,712
Miscellaneous	1,000	-0-	-0-	1,000
Total Cash Receipts	<u>12,962</u>	<u>543,060</u>	<u>-0-</u>	<u>556,022</u>
Cash Disbursements:				
Supporting Services:				
Administration	11,120	-0-	-0-	11,120
Fiscal Services	619	-0-	-0-	619
Central	-0-	626,920	17,739	644,659
Total Cash Disbursements	<u>11,739</u>	<u>626,920</u>	<u>17,739</u>	<u>656,398</u>
Net Receipts Over (Under) Disbursements	1,223	(83,860)	(17,739)	(100,376)
Fund Cash and Investment Balances, July 1, 2009	<u>55,347</u>	<u>373,377</u>	<u>17,739</u>	<u>446,463</u>
Fund Cash and Investment Balances, June 30, 2010	<u>\$ 56,570</u>	<u>\$ 289,517</u>	<u>\$ -0-</u>	<u>\$ 346,087</u>

"The Accompanying Notes are an Integral
Part of These Financial Statements"

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH AND INVESTMENT BALANCES - ALL PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
As of and for the Year Ended June 30, 2010

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 30,453,160	\$ 7,262,624	\$ 7,829,309	\$ 45,545,093
Classroom Materials and Fees	33,100	-0-	-0-	33,100
Miscellaneous	-0-	114,834	1,800	116,634
Total Operating Cash Receipts	30,486,260	7,377,458	7,831,109	45,694,827
Operating Cash Disbursements:				
Personal Services	150,703	3,346,001	757,920	4,254,624
Retirement and Other Benefits	446,959	1,058,212	200,352	1,705,523
Purchased Services	1,107,440	5,632,586	6,983,560	13,723,586
Supplies and Materials	6,777	66,983	888,946	962,706
Capital Outlay	830	1,153,030	111,892	1,265,752
Medical Benefits to Members' Employees	29,797,766	-0-	-0-	29,797,766
Miscellaneous	-0-	44,109	4,250	48,359
Total Operating Cash Disbursements	31,510,475	11,300,921	8,946,920	51,758,316
Operating Income (Loss)	(1,024,215)	(3,923,463)	(1,115,811)	(6,063,489)
Non-operating Cash Receipts:				
Intergovernmental Revenues	-0-	5,591,899	1,721,257	7,313,156
Earnings on Investments	492,505	291,099	120,648	904,252
Proceeds on Sale of Assets	-0-	898	-0-	898
Refund of Prior Year Disbursements	432,351	11,036	-0-	443,387
Total Non-operating Cash Receipts	924,856	5,894,932	1,841,905	8,661,693
Non-operating Cash Disbursements:				
Refund of Prior Year Receipts	728	-0-	81,000	81,728
Pass Through	26,921	-0-	485,559	512,480
Total Non-operating Cash Disbursements	27,649	-0-	566,559	594,208
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers and Advances	(127,008)	1,971,469	159,535	2,003,996
Transfers-In	-0-	-0-	-0-	-0-
Advances-In	-0-	130,000	100,000	230,000
Transfers-Out	-0-	-0-	-0-	-0-
Advances-Out	-0-	(130,000)	(100,000)	(230,000)
Net Receipts Over (Under) Disbursements	(127,008)	1,971,469	159,535	2,003,996
Fund Cash and Investment Balances, July 1, 2009	16,994,502	9,888,690	6,018,636	32,901,828
Fund Cash and Investment Balances, June 30, 2010	\$ 16,867,494	\$ 11,860,159	\$ 6,178,171	\$ 34,905,824

"The Accompanying Notes are an Integral
Part of These Financial Statements"

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH AND INVESTMENT BALANCES - ALL GOVERNMENTAL FUND TYPES
As of and for the Year Ended June 30, 2009

	GOVERNMENTAL FUND TYPES			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Intergovernmental	\$ -0-	\$ 384,760	\$ -0-	\$ 384,760
Classroom Materials and Fees	10,250	-0-	-0-	10,250
Earnings on Investments	2,248	-0-	-0-	2,248
Miscellaneous	1,000	-0-	-0-	1,000
Total Cash Receipts	<u>13,498</u>	<u>384,760</u>	<u>-0-</u>	<u>398,258</u>
Cash Disbursements:				
Supporting Services:				
Administration	12,072	-0-	-0-	12,072
Fiscal Services	903	-0-	-0-	903
Central	-0-	335,351	87,498	422,849
Total Cash Disbursements	<u>12,975</u>	<u>335,351</u>	<u>87,498</u>	<u>435,824</u>
Net Receipts Over (Under) Disbursements	523	49,409	(87,498)	(37,566)
Fund Cash and Investment Balances, July 1, 2008, Restated	<u>54,824</u>	<u>323,968</u>	<u>105,237</u>	<u>484,029</u>
Fund Cash and Investment Balances, June 30, 2009	<u>\$ 55,347</u>	<u>\$ 373,377</u>	<u>\$ 17,739</u>	<u>\$ 446,463</u>

"The Accompanying Notes are an Integral
Part of These Financial Statements"

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH AND INVESTMENT BALANCES - ALL PROPRIETARY FUND TYPES
AND SIMILAR FIDUCIARY FUNDS
As of and for the Year Ended June 30, 2009

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts:				
Charges for Services	\$ 28,958,710	\$ 6,804,076	\$ 9,328,595	\$ 45,091,381
Classroom Materials and Fees	33,100	-0-	-0-	33,100
Miscellaneous	-0-	74,180	54,248	128,428
Total Operating Cash Receipts	<u>28,991,810</u>	<u>6,878,256</u>	<u>9,382,843</u>	<u>45,252,909</u>
Operating Cash Disbursements:				
Personal Services	148,933	3,561,372	680,755	4,391,060
Retirement and Other Benefits	395,671	1,072,851	180,587	1,649,109
Purchased Services	1,305,276	5,862,197	7,300,583	14,468,056
Supplies and Materials	12,341	96,870	1,462,445	1,571,656
Capital Outlay	2,100	1,629,876	716,242	2,348,218
Medical Benefits to Members' Employees	28,720,891	-0-	-0-	28,720,891
Miscellaneous	-0-	59,118	13,199	72,317
Total Operating Cash Disbursements	<u>30,585,212</u>	<u>12,282,284</u>	<u>10,353,811</u>	<u>53,221,307</u>
Operating Income (Loss)	(1,593,402)	(5,404,028)	(970,968)	(7,968,398)
Non-operating Cash Receipts:				
Intergovernmental Revenues	-0-	4,725,605	29,512,748	34,238,353
Earnings on Investments	717,146	418,080	312,703	1,447,929
Refund of Prior Year Disbursements	312,301	43,597	-0-	355,898
Total Non-operating Cash Receipts	<u>1,029,447</u>	<u>5,187,282</u>	<u>29,825,451</u>	<u>36,042,180</u>
Non-operating Cash Disbursements:				
Refund of Prior Year Receipts	-0-	39,900	-0-	39,900
Pass Through	25,000	340,253	28,286,255	28,651,508
Total Non-operating Cash Disbursements	<u>25,000</u>	<u>380,153</u>	<u>28,286,255</u>	<u>28,691,408</u>
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers and Advances	(588,955)	(596,899)	568,228	(617,626)
Transfers-In	-0-	-0-	183,500	183,500
Advances-In	-0-	430,000	10,000	440,000
Transfers-Out	-0-	-0-	(183,500)	(183,500)
Advances-Out	-0-	(430,000)	(10,000)	(440,000)
Net Receipts Over (Under) Disbursements	(588,955)	(596,899)	568,228	(617,626)
Fund Cash and Investment Balances, July 1, 2008, Restated	<u>17,583,457</u>	<u>10,485,589</u>	<u>5,450,408</u>	<u>33,519,454</u>
Fund Cash and Investment Balances, June 30, 2009	<u>\$ 16,994,502</u>	<u>\$ 9,888,690</u>	<u>\$ 6,018,636</u>	<u>\$ 32,901,828</u>

"The Accompanying Notes are an Integral
Part of These Financial Statements"

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009**

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 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 an other comprehensive basis of accounting, as prescribed or permitted by the Auditor of State. 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 section in this note.

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.

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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:

eSIS Special Education Software Project Fund - Accounts for the activity of providing maintenance, support and programming for the OHIO SPED software.

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

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

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

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

Internal Service Funds - 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) - Accounts for the activity of providing data processing services to member entities.

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2010 and 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund Accounting, Continued

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 funds:

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

MCOECN-INFOhio Fund - Accounts for the financial activity of the INFOhio Project of the Management Council of the Ohio Educational Computer Network (MCOECN).

Budgetary Process

The Council is not required by law to budget its funds. The Council does, however, pass an annual administrative budget.

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.

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.

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2010 and 2009

Subsequent Events

Management has evaluated events and transactions subsequent to June 30, 2010 through March 28, 2011, for possible disclosure in these financial statements. This date is the date these financial statements were available to be issued. Management has concluded that there were no subsequent events that require disclosure.

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, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Demand Deposits	(\$ 990,379)	(\$ 1,819,062)
Savings Account	-0-	3
Certificates of Deposit	<u>2,039,679</u>	<u>4,012,256</u>
Total Deposits	1,049,300	2,193,197
U.S. Government Agency Securities	24,833,504	25,026,950
STAROhio	5,017,895	2,006,575
Money Market Fund	2,280,494	2,236,303
Repurchase Agreements	<u>2,070,718</u>	<u>1,885,266</u>
Total Investments	<u>34,202,611</u>	<u>31,155,094</u>
Total Deposits and Investments	<u>\$35,251,911</u>	<u>\$33,348,291</u>

Deposits

As of June 30, 2010 and 2009, the bank balance of the Council's deposits was \$428,644 and \$438,390, respectively. 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. Securities subject to an overnight repurchase agreement are held by the Council's financial institution, but not in the Council's name. The Council's financial institution maintains records identifying the Council as the owner of these securities.

**NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2010 and 2009**

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 years ended June 30, 2010 and 2009, STRS members contributed 10.00 percent of their wages and the Council contributed an amount equal to 14.00 percent of participants' gross salaries. 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, 2010.

NOTE 5 - RISK MANAGEMENT

The Council has obtained commercial insurance for the following risks:

- Education Liability
- General Liability
- Automobile Liability

The Council manages a self insurance benefit plan for its members. The plan provides life, dental and health insurance benefits. The plan contracts with third party administrators to process and pay covered benefit claims incurred by its members' employees. The plan pays covered claims to service providers, and recovers these costs from charges to its members based on an actuarially determined cost per employee.

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, 2010 and 2009. 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. A comparison of cash and investments available to pay plan benefits to the actuarially-measured liability as of June 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Cash and investments	\$15,936,006	\$16,483,498
Actuarial liabilities	\$ 3,133,000	\$ 2,925,000

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2010 and 2009

NOTE 5 - RISK MANAGEMENT, Continued

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 \$26,118,660 and \$25,499,563 for the fiscal years ended June 30, 2010 and 2009, respectively.

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 \$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 on a year-to-year basis and under a noncancelable lease. The total rent disbursements related to these leases for the years ended June 30, 2010 and 2009 was approximately \$343,400 and \$96,400, respectively. The Council is also responsible for paying a portion of the utilities and building and grounds maintenance related to the facility leased under the noncancelable lease.

The future minimum lease payments required on the noncancelable lease are payable as follows based on the amended lease agreement:

Year Ending <u>June 30</u>	<u>Amount</u>
2011	\$ 216,300
2012	201,000
2013	201,000
2014	201,000
2015	201,000
2016 and thereafter	<u>3,843,400</u>
Total	<u>\$4,863,700</u>

NORTHERN BUCKEYE EDUCATION COUNCIL
HENRY COUNTY, OHIO
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2010 and 2009

NOTE 6 - COMMITMENTS, RISKS 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 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, 2010 and 2009.

Investments

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 7 - RESTATEMENT

During fiscal year 2009, the MCOECN-INFOhio Fund was reclassified from the special revenue fund type to the agency fund type to more properly reflect the fund's intended purpose. As a result of this reclassification, the fund cash and investment balance of the special revenue fund type decreased by \$282,866, from \$606,834 to \$323,968, and the fund cash and investment balance of the agency fund type increased by \$282,866, from \$5,167,542 to \$5,450,408, from the amounts previously reported at July 1, 2008. As a result of this reclassification, the excess of net receipts over disbursements decreased by \$23,216 for the special revenue fund type and increased by \$23,216 for the agency fund type from the amounts previously reported for the year ended June 30, 2008.

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

Board of Directors
Northern Buckeye Education Council
Henry County, Ohio
209 Nolan Parkway, PO Box 407
Archbold, OH 43502

We have audited the financial statements of Northern Buckeye Education Council, Henry County, Ohio (the "Council"), as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated March 28, 2011, in which we noted that the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Northern Buckeye Education Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

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 organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
Northern Buckeye Education Council
Henry County, Ohio
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits 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*.

This report is intended solely for the information and use of the Council's Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



March 28, 2011

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

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
JUNE 7, 2011**