



**MANAGEMENT COUNCIL OF THE OHIO EDUCATION COMPUTER NETWORK
FRANKLIN COUNTY
JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

Management Council of the Ohio Education Computer Network
Franklin County
8050 North High Street, Suite 150
Columbus, Ohio 43235

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Management Council of the Ohio Education Computer Network, Franklin County, Ohio (the Council), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 such 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Management Council of the Ohio Education Computer Network, Franklin County, Ohio, as of June 30, 2019, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to management's discussion & analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019, 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.

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Keith Faber
Auditor of State

Columbus, Ohio

December 11, 2019

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Management Council of the Ohio Education Computer Network

Franklin County, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

(Unaudited)

The discussion and analysis of the Management Council of the Ohio Education Computer Network's (the "Council") financial performance provides an overall review of the Council's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the Council's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the Council's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- In total, net position increased \$192,321, with a \$284,878 increase in business-type activities and a \$92,557 decrease in governmental activities.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Management Council of the Ohio Education Computer Network as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Basis of Accounting

The Council has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a Statement of Net Position will be cash and cash equivalents. The Statement of Activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Council as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Council to provide programs and activities, the view of the Council as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2019?" The Statement of Net Position and the Statement of Activities answer this question.

These two statements report the Council's *net position* and *changes in 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.

Management Council of the Ohio Education Computer Network
Franklin County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Reporting the Council's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Council's major funds. The Council uses many funds to account for financial transactions. However, these fund financial statements focus on the Council's most significant funds. The Council's major governmental funds include the General Fund and the INFOhio Grants Fund. The ERP Project Fund, the Student Information System Project Fund, the INFOhio Local Projects Fund and the MCOECN Projects/Operational Support Fund are the Council's most significant business-type activities funds.

Governmental Funds - The governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short-term view of the Council's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Proprietary Fund – The Council maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The Council as a Whole

Table 1 provides a summary of the Council's net position for fiscal year 2019 compared to 2018.

(Table 1)
Net Position - Cash Basis

	Governmental Activities			Business-Type Activities		
	2019	2018	Change	2019	2018	Change
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 6,155,648	\$ 6,248,205	\$ (92,557)	\$ 4,281,059	\$ 3,996,181	\$ 284,878
Net Position						
Restricted for:						
Other Purposes	150,016	192,135	(42,119)	0	0	0
Unrestricted	6,005,632	6,056,070	(50,438)	4,281,059	3,996,181	284,878
<i>Total Net Position</i>	\$ 6,155,648	\$ 6,248,205	\$ (92,557)	\$ 4,281,059	\$ 3,996,181	\$ 284,878

Net position of the governmental activities decreased \$92,557 which represents a 1.48 percent decrease from fiscal year 2018. The net position of the business-type activities increased \$284,878 or 7.1 percent from fiscal year 2018. See Page 8 for detailed explanations causing these fluctuations.

A portion of the Council's net position, \$150,016 or 1 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$10,286,691 may be used to meet the Council's ongoing obligations.

Management Council of the Ohio Education Computer Network
Franklin County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2019 compared to fiscal year 2018.

(Table 2)
Changes in Net Position - Cash Basis

	Governmental Activities			Business-Type Activities		
	2019	2018	Change	2019	2018	Change
Receipts						
Program Receipts						
Charges for Services and Sales	\$ 5,066,367	\$ 3,460,521	\$ 1,605,846	\$ 2,244,950	\$ 4,090,759	\$ (1,845,809)
Operating Grants, Contributions and Interest	6,485,924	6,632,327	(146,403)	0	0	0
<i>Total Program Receipts</i>	<u>11,552,291</u>	<u>10,092,848</u>	<u>1,459,443</u>	<u>2,244,950</u>	<u>4,090,759</u>	<u>(1,845,809)</u>
General Receipts						
Investment Earnings	137,667	106,972	30,695	64,666	42,891	21,775
Miscellaneous	80,869	155,099	(74,230)	10,625	96,141	(85,516)
<i>Total General Receipts</i>	<u>218,536</u>	<u>262,071</u>	<u>(43,535)</u>	<u>75,291</u>	<u>139,032</u>	<u>(63,741)</u>
<i>Total Receipts</i>	<u>11,770,827</u>	<u>10,354,919</u>	<u>1,415,908</u>	<u>2,320,241</u>	<u>4,229,791</u>	<u>(1,909,550)</u>
Program Disbursements						
Support Services:						
Fiscal	147,986	153,044	(5,058)	0	0	0
Central	11,715,398	9,857,530	1,857,868	0	0	0
INFOhio Local Projects	0	0	0	890,365	804,138	86,227
Student Information System Project	0	0	0	753,985	2,537,861	(1,783,876)
ERP Project	0	0	0	390,078	354,157	35,921
Ohio Distance Learning	0	0	0	935	2,573	(1,638)
<i>Total Program Disbursements</i>	<u>11,863,384</u>	<u>10,010,574</u>	<u>1,852,810</u>	<u>2,035,363</u>	<u>3,698,729</u>	<u>(1,663,366)</u>
<i>Excess / (Deficiency) Before Special Items and Advances</i>	(92,557)	344,345	(436,902)	284,878	531,062	(246,184)
Special Item	0	8,000,000	(8,000,000)	0	0	0
Special Item	0	(7,245,000)	7,245,000	0	0	0
Advances	0	675,000	(675,000)	0	(675,000)	675,000
<i>Change in Net Position</i>	(92,557)	1,774,345	(1,866,902)	284,878	(143,938)	428,816
<i>Net Position Beginning of Year -Restated</i>	6,248,205	4,473,860	1,774,345	3,996,181	4,140,119	(143,938)
<i>Net Position End of Year</i>	<u>\$ 6,155,648</u>	<u>\$ 6,248,205</u>	<u>\$ (92,557)</u>	<u>\$ 4,281,059</u>	<u>\$ 3,996,181</u>	<u>\$ 284,878</u>

The increase in receipts in the governmental activities can be attributed the addition of a new product resold to ITC's (Goguardian receipts of over \$1.4 million). The increase in disbursements for the governmental activities can be attributed to the addition of a new product resold to ITC's (Goguardian disbursements over \$1.4 million). The decrease in receipts and disbursements for business-type activities can be attributed to the sale of DASL software during the prior audit period. The sale resulted in the Council no longer collecting fees and paying development costs on behalf of the ITCs. Fiscal year 2019 was the first full year with no fees collected or development costs paid. Fiscal year 2019 also saw a lower number of school district's begin implementation of eFinancePLUS software which resulted in lower receipts and disbursements in the EFP Fund.

**Management Council of the Ohio Education Computer Network
Franklin County, Ohio**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)*

Business-Type Activities

Business-type activities include providing services to clients for the ERP Project, Student Information System software, INFOhio Local Projects, Ohio Distance Learning, and other special projects. These programs had total receipts of \$2,320,241 and disbursements of \$2,035,363 for fiscal year 2019. The major source of revenue for these funds is charges for services, accounting for \$2,244,950 or 97 percent of total business-type receipts.

The Council's Funds

The Council's governmental and enterprise funds are accounted for using the cash basis of accounting.

The Council's governmental funds reported a combined fund balance of \$6,155,648, which is lower than the prior year balance of \$6,248,205.

The General Fund's fund balance decreased \$67,688 in fiscal year 2019. The decrease in fund balance can be attributed to the Council investing in equipment to bolster the capabilities of the data center.

The INFOhio Grants Fund balance decreased \$70,482 in fiscal year 2019. The decrease in fund balance is primarily due to the timing of grant disbursements versus grants received.

The Council's enterprise funds reported a combined net position of \$4,281,059, which is higher than the prior year balance of \$3,996,181.

The ERP Project Fund had an increase in net position of \$361,508 during fiscal year 2019. The increase is attributed to invoicing issues with the vendor which resulted in receipts being collected from ITC's for services provided but not paid to the vendor due to inaccurate invoices.

The Student Information System Project Fund had a decrease in net position of \$184,521 during fiscal year 2019. This decrease is due to the timing of payments received to pay for the services of the Student Information State Support team. Payment for January through June salary and fringe benefit expenses was received in July 2019.

The INFOhio Local Projects Fund had an increase in net position of \$65,401. This increase is due to a slight increase in receipts from services provided out pacing disbursements.

The MCOECN Projects/Operational Support Fund had an increase in net position of \$40,472. The increase is attributed to higher interest rates earned on the fund balance.

**Management Council of the Ohio Education Computer Network
Franklin County, Ohio**

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)*

Contacting the Council's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Greg Buddelmeyer, Chief Financial Officer of Management Council of the Ohio Education Computer Network, 8050 North High Street, Suite 150, Columbus, Ohio 43235 or buddelmeyer@mcoecn.org.

Management Council of the Ohio Education Computer Network
Franklin County, Ohio
Statement of Net Position - Cash Basis
June 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalentts	<u>\$ 6,155,648</u>	<u>\$ 4,281,059</u>	<u>\$ 10,436,707</u>
Net Position			
Restricted for:			
Other Purposes	150,016	0	150,016
Unrestricted	<u>6,005,632</u>	<u>4,281,059</u>	<u>10,286,691</u>
<i>Total Net Position</i>	<u><u>\$ 6,155,648</u></u>	<u><u>\$ 4,281,059</u></u>	<u><u>\$ 10,436,707</u></u>

See accompanying notes to the financial statements.

Management Council of the Ohio Education Computer Network
Franklin County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2019

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Support Services:						
Fiscal	\$ 147,986	\$ 0	\$ 0	\$ (147,986)	\$ 0	\$ (147,986)
Central	11,715,398	5,066,367	6,485,924	(163,107)	0	(163,107)
<i>Total Governmental Activities</i>	<u>11,863,384</u>	<u>5,066,367</u>	<u>6,485,924</u>	<u>(311,093)</u>	<u>0</u>	<u>(311,093)</u>
Business-Type Activities						
Student Information System Project	753,985	560,534	0	0	(193,451)	(193,451)
ERP Project	390,078	751,586	0	0	361,508	361,508
INFOhio Local Projects	890,365	929,877	0	0	39,512	39,512
Ohio Distance Learning	935	2,953	0	0	2,018	2,018
<i>Total Business-Type Activities</i>	<u>2,035,363</u>	<u>2,244,950</u>	<u>0</u>	<u>0</u>	<u>209,587</u>	<u>209,587</u>
<i>Totals</i>	<u>\$ 13,898,747</u>	<u>\$ 7,311,317</u>	<u>\$ 6,485,924</u>	<u>(311,093)</u>	<u>209,587</u>	<u>(101,506)</u>
General Receipts						
Investment Earnings				137,667	64,666	202,333
Miscellaneous				80,869	10,625	91,494
<i>Total General Receipts</i>				<u>218,536</u>	<u>75,291</u>	<u>293,827</u>
Change in Net Position				(92,557)	284,878	192,321
<i>Net Position Beginning of Year</i>				<u>6,248,205</u>	<u>3,996,181</u>	<u>10,244,386</u>
<i>Net Position End of Year</i>				<u>\$ 6,155,648</u>	<u>\$ 4,281,059</u>	<u>\$ 10,436,707</u>

See accompanying notes to the financial statements.

Management Council of the Ohio Education Computer Network
Franklin County, Ohio
Balance Sheet - Cash Basis
Governmental Funds
June 30, 2019

	General	INFOhio Grants	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 6,005,632	\$ 19,274	\$ 130,742	\$ 6,155,648
Fund Balances				
Restricted	\$ 0	\$ 19,274	\$ 147,992	\$ 167,266
Assigned	425,025	0	0	425,025
Unassigned	5,580,607	0	(17,250)	5,563,357
<i>Total Fund Balances</i>	<u>\$ 6,005,632</u>	<u>\$ 19,274</u>	<u>\$ 130,742</u>	<u>\$ 6,155,648</u>

See accompanying notes to the financial statements.

Management Council of the Ohio Education Computer Network
Franklin County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	INFOhio Grants	Other Governmental Funds	Total Governmental Funds
Receipts				
Intergovernmental	\$ 0	\$ 2,858,371	\$ 3,627,553	\$ 6,485,924
Investment Income	137,667	0	0	137,667
Charges for Services	5,066,367	0	0	5,066,367
Miscellaneous	80,869	0	0	80,869
<i>Total Receipts</i>	<u>5,284,903</u>	<u>2,858,371</u>	<u>3,627,553</u>	<u>11,770,827</u>
Disbursements				
Current:				
Support Services:				
Fiscal	147,986	0	0	147,986
Central	5,204,605	2,928,853	3,581,940	11,715,398
<i>Total Disbursements</i>	<u>5,352,591</u>	<u>2,928,853</u>	<u>3,581,940</u>	<u>11,863,384</u>
<i>Net Change in Fund Balances</i>	(67,688)	(70,482)	45,613	(92,557)
<i>Fund Balances Beginning of Year</i>	<u>6,073,320</u>	<u>89,756</u>	<u>85,129</u>	<u>6,248,205</u>
<i>Fund Balances End of Year</i>	<u>\$ 6,005,632</u>	<u>\$ 19,274</u>	<u>\$ 130,742</u>	<u>\$ 6,155,648</u>

See accompanying notes to the financial statements.

Management Council of the Ohio Education Computer Network
Franklin County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
June 30, 2019

	Enterprise Funds					Total
	ERP Project	Student Information System Project	INFOhio Local Projects	MCOECN Projects/ Operational Support	Non-Major Enterprise Funds	
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 610,515	\$ 974,731	\$ 982,319	\$ 1,705,878	\$ 7,616	\$ 4,281,059
Net Position						
Unrestricted	610,515	974,731	982,319	1,705,878	7,616	4,281,059
Total Net Position	<u>\$ 610,515</u>	<u>\$ 974,731</u>	<u>\$ 982,319</u>	<u>\$ 1,705,878</u>	<u>\$ 7,616</u>	<u>\$ 4,281,059</u>

See accompanying notes to the financial statements.

Management Council of the Ohio Education Computer Network
Franklin County, Ohio
Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis
Proprietary Funds
For the Fiscal Year ended June 30, 2019

	Enterprise Funds					
	ERP Project	Student Information System Project	INFOhio Local Projects	MCOECN Projects/ Operational Support	Non-Major Enterprise Funds	Total
Operating Receipts						
Charges for Services	\$ 751,586	\$ 560,534	\$ 929,877	\$ 0	\$ 2,953	\$ 2,244,950
Other Operating Receipts	0	8,930	1,410	0	0	10,340
<i>Total Operating Receipts</i>	<u>751,586</u>	<u>569,464</u>	<u>931,287</u>	<u>0</u>	<u>2,953</u>	<u>2,255,290</u>
Operating Disbursements						
Salaries	62,573	550,418	158,506	0	0	771,497
Fringe Benefits	25,073	170,459	37,821	0	0	233,353
Purchased Services	302,432	26,215	134,692	0	220	463,559
Materials and Supplies	0	3,047	559,346	0	415	562,808
Capital Outlay	0	3,846	0	0	0	3,846
Other Operating Disbursements	0	0	0	0	300	300
<i>Total Operating Disbursements</i>	<u>390,078</u>	<u>753,985</u>	<u>890,365</u>	<u>0</u>	<u>935</u>	<u>2,035,363</u>
<i>Operating Income (Loss)</i>	<u>361,508</u>	<u>(184,521)</u>	<u>40,922</u>	<u>0</u>	<u>2,018</u>	<u>219,927</u>
Non-Operating Receipts						
Interest	0	0	24,194	40,472	0	64,666
Other Non-Operating Receipts	0	0	285	0	0	285
<i>Total Non-Operating Receipts</i>	<u>0</u>	<u>0</u>	<u>24,479</u>	<u>40,472</u>	<u>0</u>	<u>64,951</u>
<i>Change in Net Position</i>	<u>361,508</u>	<u>(184,521)</u>	<u>65,401</u>	<u>40,472</u>	<u>2,018</u>	<u>284,878</u>
<i>Net Position Beginning of Year</i>	<u>249,007</u>	<u>1,159,252</u>	<u>916,918</u>	<u>1,665,406</u>	<u>5,598</u>	<u>3,996,181</u>
<i>Net Position End of Year</i>	<u>\$ 610,515</u>	<u>\$ 974,731</u>	<u>\$ 982,319</u>	<u>\$ 1,705,878</u>	<u>\$ 7,616</u>	<u>\$ 4,281,059</u>

See accompanying notes to the financial statements.

**Management Council of the Ohio Education Computer Network
Franklin County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Note 1 - Description of the Council

The Management Council of the Ohio Education Computer Network (the “Council”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Council is a 18 entity consortium organized under Chapter 167 of the Ohio Revised Code as a not-for-profit Council of Governments and is directed by a 18 member Board of Trustees. The Council is organized exclusively for charitable, educational, and scientific purposes, and more specifically, to plan, promote, and facilitate effective and efficient information technology services for Ohio schools.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the Council consists of all funds, departments, boards, and agencies that are not legally separate from the Council. For Management Council of the Ohio Education Computer Network, this includes general operations of the Council.

Component units are legally separate organizations for which the Council is financially accountable. The Council is financially accountable for an organization if the Council appoints a voting majority of the organization’s governing board; and (1) the Council is able to significantly influence the programs or services performed or provided by the organization; or (2) the Council is legally entitled to or can otherwise access the organization’s resources; the Council is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Council is obligated for the debt of the organization. Component units may also include organization for which the Council authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Council. The Council has no component units.

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

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Council’s accounting policies.

**Management Council of the Ohio Education Computer Network
Franklin County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

A. Basis of Presentation

The Council's basic financial statements consist of government-wide financial statements, including a Statement of Net Position - Cash Basis and a Statement of Activities – Cash Basis, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis display information about the Council as a whole. These statements include the financial activities of the primary government.

These statements distinguish between those activities of the Council that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

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

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

B. Fund Accounting

The Council uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Council are divided into two categories, governmental and proprietary.

**Management Council of the Ohio Education Computer Network
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For the Fiscal Year Ended June 30, 2019*

Governmental Funds - The Council classifies funds financed primarily from intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the Council's major governmental funds:

General Fund - The General Fund is the operating fund of the Council and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Council for any purpose provided it is expended or transferred according to the general laws of Ohio.

INFOhio Grants Fund - This special revenue fund is used to account for grant monies received from the Ohio Department of Education to administer and support the implementation of the statewide INFOhio Electronic Resource System.

The other non-major governmental funds account for grants and other resources to which the Council is bound to observe constraints imposed internally or externally.

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

ERP Project Fund - This fund accounts for the activity of providing Efinance PLUS services and support to information technology centers.

Student Information System Project Fund - This fund accounts for the activity of providing support and development of the Student Information System software reporting system for clients.

INFOhio Local Projects Fund - This fund accounts for the activity of providing support and services to clients by INFOhio staff.

MCOECN Projects/Operational Support Fund - This fund accounts for activity to support special projects for MCOECN.

The other non-major enterprise funds are used to account for Ohio Distance Learning.

C. Basis of Accounting

The Council's financial statements are prepared using the cash basis of accounting. 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.

**Management Council of the Ohio Education Computer Network
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As a result of the use of this cash basis of accounting, certain assets and deferred outflows and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and deferred inflows 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.

D. Budgetary Process

The Council is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Board 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 Trustees during the year as required. The Council reserves (encumbers) appropriations when individual commitments are made. Encumbrances outstanding at fiscal year end are carried over, and need not be reappropriated.

E. Cash and Cash Equivalents

To improve cash management, cash received by the Council is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Council records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents.”

Investments of the Council’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Council are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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. Nonparticipating investment contracts, such as certificates of deposit are recorded at cost.

During the year 2019, the Council invested in STAR Ohio and negotiable certificates of deposit. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Council measures their investment in STAR Ohio 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.

For the fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

**Management Council of the Ohio Education Computer Network
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Following Ohio statutes, the Board of Trustees has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2019 were \$137,667, which includes \$35,594 assigned from other Council funds.

F. Inventory and Prepaid Items

The Council reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying basic financial statements.

G. Capital Assets

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

H. Interfund Receivables/Payables

The Council reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying basic financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Council's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Council recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the respective retirement plans. For this purpose, benefit payments (including refunds of member contributions) are recognized when due and payable in accordance with the benefit terms. The retirement plans report investments at fair value.

**Management Council of the Ohio Education Computer Network
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*Notes to the Basic Financial Statements
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L. Net Position

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for Federal and State grants restricted to disbursements for specific purposes.

The Council's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted resources are available.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in the nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Trustees and that are either unusual in nature or infrequent in occurrence.

N. Fund Balance

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion 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 fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Council. Those committed amounts cannot be used for any other purpose unless the Council 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 fund balance 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 policies of the Board of Trustees. The Board of Trustees has by resolution authorized the Treasurer to assign fund balance.

**Management Council of the Ohio Education Computer Network
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*Notes to the Basic Financial Statements
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Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Council applies restricted resources first when disbursements are 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Implementation of New Accounting Standards

For the fiscal year ended June 30, 2019, the Council has to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Council.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the Council's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Council.

Note 3 - Deposits and Investments

Monies held by the Council are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the Council treasury. Active monies must be maintained either as cash in the Council treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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Protection of the Council's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

Interim monies held by the Council can be deposited or invested in the following securities:

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 40 percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Council, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Management Council of the Ohio Education Computer Network
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For the Fiscal Year Ended June 30, 2019*

Deposits

At year-end, \$1,403,023 of the Council’s bank balance of \$1,653,023 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions’ trust department in the Council’s name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Council to a successful claim by the FDIC.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the Council will not be able to recover deposits or collateral securities that are in possession of an outside party.

The Council has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the Council and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- 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 required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2019, the Council had the following investments:

Rating by S & P	Measurement/ Investment Type	Measurement Amount	Investment		Percent of Total
			Maturities in Years		
			(<1)	(1-3)	
	Net Asset Value (NAV):				
AAAm	STAROhio	\$ 6,155,040	\$ 6,155,040	\$ 0	67.67%
	Cost:				
N/A	Negotiable CD's	2,940,000	980,000	1,960,000	32.33%
		<u>\$ 9,095,040</u>	<u>\$ 7,135,040</u>	<u>\$ 1,960,000</u>	<u>100.00%</u>

Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The Cooperative’s policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the Council.

**Management Council of the Ohio Education Computer Network
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*Notes to the Basic Financial Statements
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Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Council has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk

The Council places no limit on the amount it may invest in any one issuer; however state statute limits investments in commercial paper and bankers' acceptances to 40 percent of the interim monies available for investment at any one time.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2019, is 53 days and carries a rating of AAAm by S&P Global Ratings.

Note 4 - Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the Council contracted with Schools of Ohio Risk Sharing Authority (SORSA) for general liability insurance. Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

Note 5 – Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Council is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

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	<u>General</u>	<u>INFOhio Grants</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Restricted for:				
INFOhio Project	\$ 0	\$ 19,274	\$ 0	\$ 19,274
Other Purposes	<u>0</u>	<u>0</u>	<u>147,992</u>	<u>147,992</u>
Total Restricted	<u>0</u>	<u>19,274</u>	<u>147,992</u>	<u>167,266</u>
Assigned for:				
Encumbrances:				
Support Services	<u>425,025</u>	<u>0</u>	<u>0</u>	<u>425,025</u>
Total Assigned	<u>425,025</u>	<u>0</u>	<u>0</u>	<u>425,025</u>
Unassigned	<u>5,580,607</u>	<u>0</u>	<u>(17,250)</u>	<u>5,563,357</u>
Total Fund Balances	<u>\$ 6,005,632</u>	<u>\$ 19,274</u>	<u>\$ 130,742</u>	<u>\$ 6,155,648</u>

Note 6 - Defined Benefit Pension Plans

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Council’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Council’s obligation for this liability to annually required payments. The Council cannot control benefit terms or the manner in which pensions are financed; however, the Council does receive the benefit of employees’ services in exchange for compensation including pension.

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GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - Council Employees Retirement System (SERS)

Plan Description – Council non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Council is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2019.

The Council’s contractually required contribution to SERS was \$444,602 for fiscal year 2019.

Net Pension Liability

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The Councils employer allocation percentage of the net pension liability was based on the employer’s share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	<u>SERS</u>
Proportion of the Net Pension Liability:	
Current Measurement Date	0.03552260%
Prior Measurement Date	0.04007270%
Change in Proportionate Share	<u>-0.00455010%</u>
Proportionate Share of the Net Pension Liability	\$ 2,034,445

Actuarial Assumptions - SERS

SERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100% for female rates set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015, five-year experience study, is summarized as follows:

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Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate Total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the Council's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Council's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Council's Proportionate Share of the Net Pension Liability	\$ 2,865,669	\$ 2,034,445	\$ 1,337,519

Note 7 – Defined Benefit OPEB Plans

Net OPEB Asset/Liability

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

The net OPEB asset/liability represents the Council's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB asset/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Council's obligation for this liability to annually required payments. The Council cannot control benefit terms or the manner in which OPEB are financed; however, the Council does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees, which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset/liability. Resulting adjustments to the net OPEB asset/liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The Council contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**Management Council of the Ohio Education Computer Network
Franklin County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the Council's surcharge obligation was \$0.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Council's contractually required contribution to SERS was \$16,467 for fiscal year 2019.

Net OPEB Asset/Liability

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB asset/liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The Council's proportion of the net OPEB asset/liability was based on the Council's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.03234290%
Prior Measurement Date	0.03658640%
Change in Proportionate Share	-0.00424350%
Proportionate Share of the Net OPEB Liability/(Asset)	\$ 897,279

Actuarial Assumptions - SERS

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018. The actuarial assumptions used in the valuation are based on results from the most recent actuarial experience study, which covered the five-year period ending June 30, 2015. The experience study report is dated April 2016. The total OPEB liability used the following assumptions and other inputs:

**Management Council of the Ohio Education Computer Network
Franklin County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate	
Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Medical Trend Assumption	
Medicare	5.375 percent - 4.75 percent
Pre-Medicare	7.25 percent - 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The long-term expected rate of return on plan factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Management Council of the Ohio Education Computer Network
Franklin County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the Council's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.25 percent decreasing to 3.75 percent) and one percent higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase								
Council's Proportionate Share of the Net OPEB Liability	\$ 1,088,778	\$ 897,279	\$ 745,648								
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 15%; text-align: center; border-bottom: 1px solid black;">1% Decrease</th> <th style="width: 20%; text-align: center; border-bottom: 1px solid black;">Current Trend Rate</th> <th style="width: 25%; text-align: center; border-bottom: 1px solid black;">1% Increase</th> </tr> </thead> <tbody> <tr> <td style="vertical-align: top;">Council's Proportionate Share of the Net OPEB Liability</td> <td style="text-align: right; vertical-align: bottom;">\$ 723,940</td> <td style="text-align: right; vertical-align: bottom;">\$ 897,279</td> <td style="text-align: right; vertical-align: bottom;">\$ 1,126,812</td> </tr> </tbody> </table>					1% Decrease	Current Trend Rate	1% Increase	Council's Proportionate Share of the Net OPEB Liability	\$ 723,940	\$ 897,279	\$ 1,126,812
	1% Decrease	Current Trend Rate	1% Increase								
Council's Proportionate Share of the Net OPEB Liability	\$ 723,940	\$ 897,279	\$ 1,126,812								

Note 8 – Contingencies and Significant Commitments

A. Grants

The Council received financial assistance from federal and state agencies in the form of grants. The expenditure 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 adverse effect on the overall financial position of the Council at June 30, 2019.

**Management Council of the Ohio Education Computer Network
Franklin County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019*

B. Litigation

The Council is not party to any claims or lawsuits that would, in the Council's opinion, have a material effect of the basic financial statements.

C. Other Commitments

The Council utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At fiscal year end, the Council's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 425,025
INFOhio Grants	80,203
Service Desk Grant	10,500
Fiscal Redesign	30,893
EMIS Support Grant	71,234
KRA-ELA Grant	25,324
Disaster Recovery Grant	3,856
	<u>\$ 647,035</u>

Note 9 – Accountability

At June 30, 2019, the Other Grants Fund had a deficit balance in the amount of \$17,250. This deficit fund balance was created at June 30, 2019, as a result of the timing of disbursements and drawdowns for grant expenditures.

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**MANAGEMENT COUNCIL OF THE OHIO EDUCATION COMPUTER NETWORK
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010A	N/a	\$161,288
Migrant Education State Grant Program	84.011A	N/a	694
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013A	N/a	220
Special Education Cluster (IDEA):			
Special Education - Preschool Grants	84.173A	N/a	<u>700</u>
Total Special Education Cluster (IDEA):			<u>700</u>
Twenty-First Century Community Learning Centers	84.287C	N/a	26,904
Rural Education	84.358B	N/a	4,008
English Language Acquisition State Grants	84.365A	N/a	8,292
Supporting Effective Instruction State Grants	84.367A	N/a	524,553
School Improvement Grants	84.377A	N/a	27,578
Student Support and Academic Enrichment Program	84.424A	N/a	<u>12,300</u>
Total Passed Through Ohio Department of Education:			<u>766,537</u>
Total U.S. Department of Education			<u>766,537</u>
Total Expenditures of Federal Awards			<u>\$766,537</u>

The accompanying notes are an integral part of this schedule.



MANAGEMENT COUNCIL OF THE OHIO EDUCATION COMPUTER NETWORK
FRANKLIN COUNTY
NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FISCAL YEAR ENDED JUNE 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Management Council of the Ohio Education Computer Network's (the Council's) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Council.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Council has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5th Floor
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Management Council of the Ohio Education Computer Network
Franklin County
8050 North High Street, Suite 150
Columbus, Ohio 43235

To the Board of Trustees:

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 cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Management Council of the Ohio Education Computer Network, Franklin County, (the Council) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated December 11, 2019, wherein we noted the Council uses a special purpose framework other than generally accepted accounting principles.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

December 11, 2019



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Management Council of the Ohio Education Computer Network
Franklin County
8050 North High Street, Suite 150
Columbus, Ohio 43235

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited the Management Council of the Ohio Education Computer Network's (the Council) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Management Council of the Ohio Education Computer Network's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Council's major federal program.

Management's Responsibility

The Council's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Council's compliance for the Council's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Council's major program. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on the Major Federal Program

In our opinion, the Management Council of the Ohio Education Computer Network complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The Council's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Council's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

December 11, 2019

**MANAGEMENT COUNCIL OF THE OHIO EDUCATION COMPUTER NETWORK
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Supporting Effective Instruction State Grant - CFDA #84.367A
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



MANAGEMENT COUNCIL OF OHIO EDUCATION COMPUTER NETWORK (MCOECN)

FRANKLIN 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
JANUARY 2, 2020**