



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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2015



Dave Yost • Auditor of State

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

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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, 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, Ohio (the Council), as of and for the year ended June 30, 2015, 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.C 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 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, 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, Ohio, as of June 30, 2015, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.C.

Accounting Basis

We draw attention to Note 2.C 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.

Emphasis of Matter

As discussed in Note 2.O to the financial statements, during 2015, the Council has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

As discussed in Note 2.P to the financial statements, during 2015, the Council adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also 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 February 8, 2016 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.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 8, 2016

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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, 2015
(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, 2015. 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 2015 are as follows:

- In total, net position increased \$335,607, with a \$774,243 increase in business-type activities and a \$438,636 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 2015?" 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, 2015
(Unaudited)*

Reporting the Council's Most Significant Funds

Fund Financial Statements

The analysis of the Council's major funds begins on page 8. 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, the INFOhio Grants Fund, and the Teacher Student Data Link Grants Fund. The Student Information System Project Fund, the MCOECN Enterprise Projects 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 2015 compared to 2014.

**(Table 1)
Net Position – Cash Basis**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 657,155	\$ 1,095,791	\$ 6,324,775	\$ 5,550,532	\$ 6,981,930	\$ 6,646,323
Net Position						
Restricted for:						
Other Purposes	273,409	344,523	0	0	273,409	344,523
Unrestricted	383,746	751,268	6,324,775	5,550,532	6,708,521	6,301,800
<i>Total Net Position</i>	<u>\$ 657,155</u>	<u>\$ 1,095,791</u>	<u>\$ 6,324,775</u>	<u>\$ 5,550,532</u>	<u>\$ 6,981,930</u>	<u>\$ 6,646,323</u>

Net position of the governmental activities decreased \$438,636, which represents a 40 percent decrease from fiscal year 2014. The net position of the business-type activities increased \$774,243, or 14 percent from fiscal year 2014.

A portion of the Council's net position, \$273,409 or 4 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$6,708,521 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, 2015
(Unaudited)*

Table 2 shows the changes in net position for fiscal year 2015. During the fiscal year, the Council switched from reporting on a regulatory basis to cash basis as well as implemented GASB Statement No. 54, which changed the classification of several funds. Therefore, receipt and disbursement comparisons to fiscal year 2014 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the Council's financial status and possibly project future problems.

**(Table 2)
Changes in Net Position – Cash Basis**

	Governmental Activities <u>2015</u>	Business-Type Activities <u>2015</u>	Total <u>2015</u>
Receipts			
<i>Program Receipts</i>			
Charges for Services and Sales	\$ 282,966	\$ 7,588,411	\$ 7,871,377
Operating Grants, Contributions and Interest	<u>5,521,347</u>	<u>0</u>	<u>5,521,347</u>
<i>Total Program Receipts</i>	<u>5,804,313</u>	<u>7,588,411</u>	<u>13,392,724</u>
<i>General Receipts</i>			
Proceeds from Sale of Capital Assets	19,500	0	19,500
Investment Earnings	334	3,186	3,520
Miscellaneous	<u>14,219</u>	<u>198,580</u>	<u>212,799</u>
<i>Total General Receipts</i>	<u>34,053</u>	<u>201,766</u>	<u>235,819</u>
<i>Total Receipts</i>	<u>5,838,366</u>	<u>7,790,177</u>	<u>13,628,543</u>
<i>Program Disbursements</i>			
Support Services:			
Central	6,312,002	0	6,312,002
Student Information System Project	0	3,993,274	3,993,274
MCOECN Enterprise Projects	0	1,915,327	1,915,327
INFOhio Local Projects	0	808,154	808,154
Non-major Enterprise Funds	<u>0</u>	<u>264,179</u>	<u>264,179</u>
<i>Total Program Disbursements</i>	<u>6,312,002</u>	<u>6,980,934</u>	<u>13,292,936</u>
<i>Excess / (Deficiency) Before Transfers</i>	(473,636)	809,243	335,607
Transfers	<u>35,000</u>	<u>(35,000)</u>	<u>0</u>
<i>Change in Net Position</i>	<u>\$ (438,636)</u>	<u>\$ 774,243</u>	<u>\$ 335,607</u>

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental and business-type activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements. Comparisons to 2014 have not been made since they are not available.

**(Table 3)
Governmental Activities – Cash Basis**

	<u>Total Costs of Services</u>	<u>Net Costs of Services</u>
	<u>2015</u>	<u>2015</u>
<i>Program Disbursements</i>		
Support Services:		
Central	<u>\$ 6,312,002</u>	<u>\$ 507,689</u>

Business-Type Activities

Business-type activities include providing services to clients for the Student Information System software, INFOhio, Ohio Distance Learning, HR Kiosk Project and other special projects. These programs had total receipts of \$7,790,177 and disbursements of \$6,980,934 for fiscal year 2015. The major source of revenue for these funds is charges for services, accounting for \$7,588,411 or approximately 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 \$657,155, which is lower than the prior year balance of \$1,095,791.

The General Fund had total cash receipts of \$283,380. The cash disbursements of the General Fund totaled \$542,610. The General Fund's fund balance decreased \$204,730 in fiscal year 2015. The decrease in fund balance can be attributed to the Council disbursing the remaining disaster recovery funds from prior years.

The INFOhio Grants Fund had total cash receipts of \$2,500,000 and total cash disbursements of \$2,505,767, for a decrease in fund balance of \$5,767 in fiscal year 2015.

The Teacher Student Data Link Grants Fund had total cash receipts of \$1,328,436 and total cash disbursements of \$1,362,917, for a decrease in fund balance of \$34,481 in fiscal year 2015. The decrease in fund balance is primarily due to the timing of grant receipts versus disbursements.

The Council's enterprise funds reported a combined net position of \$6,324,775, which is higher than the prior year balance of \$5,550,532.

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)*

The Student Information System Project Fund had total cash receipts of \$3,879,819. The cash disbursements totaled \$3,993,274, for a decrease in net position of \$113,455 during fiscal year 2015. Disbursements increased in fiscal year 2015 due to increased hours in the contract for development. Charges for services rates were increased in anticipation of the increased disbursements, but ended up not being increased quite enough.

The MCOECN Enterprise Projects Fund had total cash receipts of \$2,625,274 with total cash disbursements of \$1,950,327. The net position increased \$674,947 during the fiscal year. The activity in this fund is driven by user charges, based on client needs, which has a direct correlation to disbursements. A slight decrease was noted in both receipts and disbursements in fiscal year 2015, which resulted in the increase in net position being consistent with the prior year.

The INFOhio Local Projects Fund had total cash receipts of \$1,002,109. The cash disbursements totaled \$808,154, for an increase in net position of \$193,955. The activity in this fund is driven by user charges, based on client needs, which has a direct correlation to disbursements. Receipts, disbursements and the increase in net position were consistent with the prior year.

The MCOECN Projects/Operational Support Fund had total interest receipts of \$975, which was the only activity in the fund during fiscal year 2015.

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.

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Management Council of the Ohio Education Computer Network
Franklin County, Ohio
Statement of Net Position - Cash Basis
As of June 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 657,155	\$ 6,324,775	\$ 6,981,930
Net Position			
Restricted for:			
Other Purposes	273,409	0	273,409
Unrestricted	<u>383,746</u>	<u>6,324,775</u>	<u>6,708,521</u>
<i>Total Net Position</i>	<u>\$ 657,155</u>	<u>\$ 6,324,775</u>	<u>\$ 6,981,930</u>

See accompanying notes to the basic 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, 2015*

	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						
Current:						
Support Services:						
Central	\$ 6,312,002	\$ 282,966	\$ 5,521,347	\$ (507,689)	\$ 0	\$ (507,689)
<i>Total Governmental Activities</i>	<u>6,312,002</u>	<u>282,966</u>	<u>5,521,347</u>	<u>(507,689)</u>	<u>0</u>	<u>(507,689)</u>
Business-Type Activities						
Student Information System Project	3,993,274	3,879,819	0	0	(113,455)	(113,455)
MCOECN Enterprise Projects	1,915,327	2,441,445	0	0	526,118	526,118
INFOhio Local Projects	808,154	985,147	0	0	176,993	176,993
Ohio Distance Learning	850	2,700	0	0	1,850	1,850
HR Kiosk Project	263,329	279,300	0	0	15,971	15,971
<i>Total Business-Type Activities</i>	<u>6,980,934</u>	<u>7,588,411</u>	<u>0</u>	<u>0</u>	<u>607,477</u>	<u>607,477</u>
<i>Totals</i>	<u>\$ 13,292,936</u>	<u>\$ 7,871,377</u>	<u>\$ 5,521,347</u>	<u>(507,689)</u>	<u>607,477</u>	<u>99,788</u>
General Receipts						
Proceeds from Sale of Assets				19,500	0	19,500
Investment Earnings				334	3,186	3,520
Miscellaneous				14,219	198,580	212,799
<i>Total General Receipts</i>				<u>34,053</u>	<u>201,766</u>	<u>235,819</u>
Transfers				35,000	(35,000)	0
<i>Total General Receipts and Transfers</i>				<u>69,053</u>	<u>166,766</u>	<u>235,819</u>
Change in Net Position				(438,636)	774,243	335,607
<i>Net Position Beginning of Year</i>				<u>1,095,791</u>	<u>5,550,532</u>	<u>6,646,323</u>
<i>Net Position End of Year</i>				<u>\$ 657,155</u>	<u>\$ 6,324,775</u>	<u>\$ 6,981,930</u>

See accompanying notes to the basic financial statements.

Management Council of the Ohio Education Computer Network
Franklin County, Ohio
Balance Sheet - Cash Basis
Governmental Funds
As of June 30, 2015

	<u>General</u>	<u>INFOhio Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 546,538	\$ 240,103	\$ (129,486)	\$ 657,155
Fund Balances				
Restricted	0	240,103	33,306	273,409
Assigned	46,150	0	0	46,150
Unassigned	500,388	0	(162,792)	337,596
<i>Total Fund Balances</i>	<u>\$ 546,538</u>	<u>\$ 240,103</u>	<u>\$ (129,486)</u>	<u>\$ 657,155</u>

See accompanying notes to the basic 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, 2015*

	General	INFOhio Grants	Teacher Student Data Link Grants	Other Governmental Funds	Total Governmental Funds
Receipts					
Intergovernmental	\$ 0	\$ 2,500,000	\$ 1,314,297	\$ 1,707,050	\$ 5,521,347
Investment Income	334	0	0	0	334
Charges for Services	282,966	0	0	0	282,966
Miscellaneous	80	0	14,139	0	14,219
<i>Total Receipts</i>	<u>283,380</u>	<u>2,500,000</u>	<u>1,328,436</u>	<u>1,707,050</u>	<u>5,818,866</u>
Disbursements					
Current:					
Support Services:					
Central	<u>542,610</u>	<u>2,505,767</u>	<u>1,362,917</u>	<u>1,900,708</u>	<u>6,312,002</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(259,230)</u>	<u>(5,767)</u>	<u>(34,481)</u>	<u>(193,658)</u>	<u>(493,136)</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	19,500	0	0	0	19,500
Transfers In	<u>35,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,000</u>
<i>Total Other Financing Sources (Uses)</i>	<u>54,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>54,500</u>
<i>Net Change in Fund Balances</i>	(204,730)	(5,767)	(34,481)	(193,658)	(438,636)
<i>Fund Balances Beginning of Year - Restated</i>	<u>751,268</u>	<u>245,870</u>	<u>34,481</u>	<u>64,172</u>	<u>1,095,791</u>
<i>Fund Balances End of Year</i>	<u>\$ 546,538</u>	<u>\$ 240,103</u>	<u>\$ 0</u>	<u>\$ (129,486)</u>	<u>\$ 657,155</u>

See accompanying notes to the basic financial statements.

Management Council of the Ohio Education Computer Network
Franklin County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
As of June 30, 2015

	Business-Type Activities - Enterprise Funds					Total
	Student Information System Project	MCOECN Enterprise Projects	INFOhio Local Projects	MCOECN Projects/Operational Support	Non-Major Enterprise Funds	
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 353,980	\$ 3,555,981	\$ 662,278	\$ 1,622,658	\$ 129,878	\$ 6,324,775
Net Position						
Unrestricted	353,980	3,555,981	662,278	1,622,658	129,878	6,324,775
Total Net Position	<u>\$ 353,980</u>	<u>\$ 3,555,981</u>	<u>\$ 662,278</u>	<u>\$ 1,622,658</u>	<u>\$ 129,878</u>	<u>\$ 6,324,775</u>

See accompanying notes to the basic 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, 2015

	Business-Type Activities - Enterprise Funds					Total
	Student Information System Project	MCOECN Enterprise Projects	INFOhio Local Projects	MCOECN Projects/Operational Support	Non-Major Enterprise Funds	
Operating Receipts						
Charges for Services	\$ 3,879,819	\$ 2,441,445	\$ 985,147	\$ 0	\$ 282,000	\$ 7,588,411
Other Operating Receipts	0	10,051	16,595	0	0	26,646
<i>Total Operating Receipts</i>	<u>3,879,819</u>	<u>2,451,496</u>	<u>1,001,742</u>	<u>0</u>	<u>282,000</u>	<u>7,615,057</u>
Operating Disbursements						
Salaries	0	576,198	0	0	0	576,198
Fringe Benefits	0	151,872	1,188	0	0	153,060
Purchased Services	3,989,391	395,217	58,198	0	263,829	4,706,635
Materials and Supplies	3,883	778,576	745,595	0	0	1,528,054
Capital Outlay	0	2,357	0	0	0	2,357
Other Operating Disbursements	0	11,107	3,173	0	350	14,630
<i>Total Operating Disbursements</i>	<u>3,993,274</u>	<u>1,915,327</u>	<u>808,154</u>	<u>0</u>	<u>264,179</u>	<u>6,980,934</u>
<i>Operating Income (Loss)</i>	<u>(113,455)</u>	<u>536,169</u>	<u>193,588</u>	<u>0</u>	<u>17,821</u>	<u>634,123</u>
Non-Operating Receipts						
Interest	0	1,844	367	975	0	3,186
Other Non-Operating Receipts	0	171,934	0	0	0	171,934
<i>Total Non-Operating Receipts</i>	<u>0</u>	<u>173,778</u>	<u>367</u>	<u>975</u>	<u>0</u>	<u>175,120</u>
<i>Income (Loss) Before Transfers</i>	<u>(113,455)</u>	<u>709,947</u>	<u>193,955</u>	<u>975</u>	<u>17,821</u>	<u>809,243</u>
Transfers Out	0	(35,000)	0	0	0	(35,000)
<i>Change in Net Position</i>	<u>(113,455)</u>	<u>674,947</u>	<u>193,955</u>	<u>975</u>	<u>17,821</u>	<u>774,243</u>
<i>Net Position Beginning of Year</i>	<u>467,435</u>	<u>2,881,034</u>	<u>468,323</u>	<u>1,621,683</u>	<u>112,057</u>	<u>5,550,532</u>
<i>Net Position End of Year</i>	<u>\$ 353,980</u>	<u>\$ 3,555,981</u>	<u>\$ 662,278</u>	<u>\$ 1,622,658</u>	<u>\$ 129,878</u>	<u>\$ 6,324,775</u>

See accompanying notes to the basic 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, 2015*

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 21 entity consortium organized under Chapter 167 of the Ohio Revised Code as a not-for-profit Council of Governments and is directed by a 10 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, 2015*

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
Franklin County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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.

Teacher Student Data Link 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 Teacher Student Data Link program.

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:

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.

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

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 and HR Kiosk Project activity.

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
Franklin County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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.

During fiscal year 2015, the Council had deposits in STARPlus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STARPlus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STARPlus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STARPlus have full FDIC insurance, with no term commitment on deposits.

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 2015 were \$334, which includes \$212 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.

Management Council of the Ohio Education Computer Network

Franklin County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2015

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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Pensions

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

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. 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:

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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.

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 expenditures 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 expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Implementation of New Accounting Standards

For the fiscal year ended June 30, 2015, the Council has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68* to the extent they apply to the cash basis of accounting.

GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. Refer to Note 2-P for additional information.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Council.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68.

O. Change in Basis of Accounting

Last year the Council reported fund financial statements by fund type using the regulatory basis of accounting. In implementing the other comprehensive basis of accounting, the fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type; however, there was no effect on beginning net position/fund balance in total.

P. Restatement of Fund Balance

For fiscal year 2015, the Council has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as non-spendable, restricted, committed, assigned, and/or unassigned.

This resulted in a change to the classification of certain special cost centers of special revenue funds to the general fund. The restatement had the following effect on fund balances as of June 30, 2014:

	General Fund	INFOhio Grants	Teacher Student Data Link Grants	Other Governmental Funds	Total
Fund Balances, June 30, 2014	\$ 471,438	\$ 245,870	\$ 34,481	\$ 344,002	\$ 1,095,791
Reclassify:					
Professional Development	39,062	0	0	(39,062)	0
Disaster Recovery	240,768	0	0	(240,768)	0
Adjusted Fund Balances, July 1, 2014	<u>\$ 751,268</u>	<u>\$ 245,870</u>	<u>\$ 34,481</u>	<u>\$ 64,172</u>	<u>\$ 1,095,791</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, 2015*

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 the Council has identified as not required for use within the current five 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.

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 25 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.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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.

Deposits

At fiscal year-end, the carrying amount of the Council's deposits was \$6,981,930. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2015, \$2,253,942 of the Council's bank balance of \$7,257,462 was exposed to custodial risk as discussed below, while \$5,003,520 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$4,702,471 held in a STARPlus account.

The Council has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Council or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

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 2015, 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 - Interfund Transfers

The MCOECN Enterprise Projects Fund transferred \$35,000 to the General Fund during fiscal year 2015 to help pay for personnel salaries.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Note 6 – 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:

	<u>General</u>	<u>INFOhio Grants</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Restricted for:				
INFOhio Project	\$ 0	\$ 240,103	\$ 0	\$ 240,103
Other Purposes	<u>0</u>	<u>0</u>	<u>33,306</u>	<u>33,306</u>
Total Restricted	<u>0</u>	<u>240,103</u>	<u>33,306</u>	<u>273,409</u>
Assigned for:				
Encumbrances:				
Support Services	<u>46,150</u>	<u>0</u>	<u>0</u>	<u>46,150</u>
Unassigned	<u>500,388</u>	<u>0</u>	<u>(162,792)</u>	<u>337,596</u>
Total Fund Balances	<u>\$ 546,538</u>	<u>\$ 240,103</u>	<u>\$ (129,486)</u>	<u>\$ 657,155</u>

Note 7 - Defined Benefit Pension Plans

Plan Description - School Employees Retirement System (SERS)

Plan Description – The Council’s employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death 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. The 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:

	<u>Eligible to Retire on or before August 1, 2017*</u>	<u>Eligible to Retire on or after August 1, 2017</u>
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.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

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 thirty 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.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Council's contractually required contribution to SERS was \$183,928 for fiscal year 2015.

Note 8 - Postemployment Benefits

A. School Employees Retirement System

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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. 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. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of 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, 2015*

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 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.

The Council's contribution for health care for the fiscal year ended June 30, 2015 was \$11,443. For fiscal year 2015, 100 percent has been contributed.

Note 9 – 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, 2015.

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 year end, the Council's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 46,150
INFOhio Grants	240,106
Nonmajor Governmental	1,586,652
	<u>\$ 1,872,908</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, 2015*

Note 10 – Accountability

At June 30, 2015, the OECN Site Review Fund and the Thinkgate Fund had deficit balances in the amounts of \$31,324 and \$131,468, respectively. These deficit fund balances were created at June 30, 2015, as a result of the timing of disbursements for grant expenditures.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant Award Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants	2015	84.395	\$ 1,200,000	\$ 1,200,000
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants	2014	84.395	(46,620)	-
Race-to-the-Top IIS Support Grant	2015	84.395A	231,782	363,250
Total State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants			<u>1,385,162</u>	<u>1,563,250</u>
Improving Teacher Quality State Grants	2015	84.367	<u>162,918</u>	<u>162,918</u>
Total U.S. Department of Education			<u>1,548,080</u>	<u>1,726,168</u>
Total Federal Awards Receipts and Expenditures			<u><u>\$ 1,548,080</u></u>	<u><u>\$ 1,726,168</u></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 FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Management Council of the Ohio Education Computer Network's (the Council's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.



Dave Yost • Auditor of State

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

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 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, Ohio, (the Council) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated February 8, 2016, wherein we noted the Council changed accounting basis from financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit to a special purpose framework other than generally accepted accounting principles. We also noted the Council adopted Governmental Accounting Standard No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 8, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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, Franklin County, Ohio's (the Council) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Council's major federal program for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 8, 2016

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses 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 internal control weaknesses 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 § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<u>Race-to-the-Top Cluster:</u> - State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, CFDA #84.395 - Race-to-the-Top IIS Support Grant, CFDA #84.395A
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	The Council failed to adopt the provisions of GASB 54	Yes	
2014-002	The Council improperly reported the Ohio Distance Learning Association's financial activity as an agency fund	Yes	
2014-003	Cash Management – 34 CFR 80.21(c) for failure to timely expend cash advances	Yes	
2014-004	Suspension and Debarment – 2 CFR part 180 for failure to verify vendors had not been suspended or debarred	No	Partially Corrected; reissued as a Management Letter Comment



Dave Yost • Auditor of State

MANAGEMENT COUNCIL OF OHIO EDUCATION COMPUTER NETWORK

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
MARCH 17, 2016**