



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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2016



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, 2016, 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 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, 2016, 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

Supplemental Information

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

The Schedule of Receipts and 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 February 8, 2017, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

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, 2017

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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, 2016
(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, 2016. 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 2016 are as follows:

- In total, net position increased \$1,259,989, with a \$1,704,270 increase in business-type activities and a \$444,281 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 2016?" 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, 2016
(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 2016 compared to 2015.

(Table 1)
Net Position - Cash Basis

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 212,874	\$ 657,155	\$ 8,029,045	\$ 6,324,775	\$ 8,241,919	\$ 6,981,930
Net Position						
Restricted for:						
Other Purposes	79,421	273,409	0	0	79,421	273,409
Unrestricted	133,453	383,746	8,029,045	6,324,775	8,162,498	6,708,521
<i>Total Net Position</i>	<u>\$ 212,874</u>	<u>\$ 657,155</u>	<u>\$ 8,029,045</u>	<u>\$ 6,324,775</u>	<u>\$ 8,241,919</u>	<u>\$ 6,981,930</u>

Net position of the governmental activities decreased \$444,281, which represents a 68 percent decrease from fiscal year 2015. The net position of the business-type activities increased \$1,704,270, or 27 percent from fiscal year 2015. See Page 8 for detailed explanations causing these fluctuations.

A portion of the Council's net position, \$79,421 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 \$8,162,498 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, 2016
(Unaudited)

Table 2 shows the changes in net position for fiscal year 2016.

(Table 2)
Changes in Net Position - Cash Basis

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Receipts						
Program Receipts						
Charges for Services and Sales	\$ 281,610	\$ 282,966	\$ 8,236,008	\$ 7,588,411	\$ 8,517,618	\$ 7,871,377
Operating Grants, Contributions and Interest	7,342,118	5,521,347	0	0	7,342,118	5,521,347
<i>Total Program Receipts</i>	<u>7,623,728</u>	<u>5,804,313</u>	<u>8,236,008</u>	<u>7,588,411</u>	<u>15,859,736</u>	<u>13,392,724</u>
General Receipts						
Proceeds from Sale of Assets	0	19,500	0	0	0	19,500
Investment Earnings	970	334	12,419	3,186	13,389	3,520
Miscellaneous	1,002	14,219	161,584	198,580	162,586	212,799
<i>Total General Receipts</i>	<u>1,972</u>	<u>34,053</u>	<u>174,003</u>	<u>201,766</u>	<u>175,975</u>	<u>235,819</u>
<i>Total Receipts</i>	<u>7,625,700</u>	<u>5,838,366</u>	<u>8,410,011</u>	<u>7,790,177</u>	<u>16,035,711</u>	<u>13,628,543</u>
Program Disbursements						
Support Services:						
Central	7,879,981	6,312,002	0	0	7,879,981	6,312,002
INFOhio Local Projects	0	0	933,654	808,154	933,654	808,154
Student Information System Project	0	0	3,745,200	3,993,274	3,745,200	3,993,274
MCOECN Enterprise Projects	0	0	1,935,811	1,915,327	1,935,811	1,915,327
Ohio Distance Learning	0	0	2,539	850	2,539	850
HR Kiosk Project	0	0	278,537	263,329	278,537	263,329
<i>Total Program Disbursements</i>	<u>7,879,981</u>	<u>6,312,002</u>	<u>6,895,741</u>	<u>6,980,934</u>	<u>14,775,722</u>	<u>13,292,936</u>
<i>Excess / (Deficiency) Before Transfers and Advances</i>	(254,281)	(473,636)	1,514,270	809,243	1,259,989	335,607
Advances	(190,000)	0	190,000	0	0	0
Transfers	0	35,000	0	(35,000)	0	0
<i>Change in Net Position</i>	<u>(444,281)</u>	<u>(438,636)</u>	<u>1,704,270</u>	<u>774,243</u>	<u>1,259,989</u>	<u>335,607</u>
<i>Net Position Beginning of Year</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>
<i>Net Position End of Year</i>	<u>\$ 212,874</u>	<u>\$ 657,155</u>	<u>\$ 8,029,045</u>	<u>\$ 6,324,775</u>	<u>\$ 8,241,919</u>	<u>\$ 6,981,930</u>

The increase in disbursements for the governmental activities can be attributed to an increase in expenditures related to services provided to members generated from the increase in grant resources available. The increase in receipts for business-type activities can be attributed to an increase for services provided primarily from the Student Information System and MCOECN Enterprise Projects.

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 activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported general receipts.

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)*

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

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
<i>Program Disbursements</i>				
Support Services:				
Central	\$ 7,879,981	\$ 6,312,002	\$ 256,253	\$ 507,689

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 \$8,410,011 and disbursements of \$6,895,741 for fiscal year 2016. The major source of revenue for these funds is charges for services, accounting for \$8,236,008 or approximately 98 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 \$212,874, which is lower than the prior year balance of \$657,155.

The General Fund had total cash receipts of \$282,580. The cash disbursements and other financing uses of the General Fund totaled \$640,015. The General Fund's fund balance decreased \$357,435 in fiscal year 2016. The decrease in fund balance can be attributed to the Council disbursing the remaining disaster recovery funds from prior years and an advance to the ERP Project Fund to support operations.

The INFOhio Grants Fund had total cash receipts of \$2,804,861 and total cash disbursements of \$3,042,596, for a decrease in fund balance of \$237,735 in fiscal year 2016. The decrease in fund balance is primarily due to the timing of grant receipts versus disbursements.

The Teacher Student Data Link Grants Fund had total cash receipts of \$1,531,920 and total cash disbursements of \$1,531,920, resulting in no change to the fund balance in fiscal year 2016.

The Council's enterprise funds reported a combined net position of \$8,029,045, which is higher than the prior year balance of \$6,324,775.

The Student Information System Project Fund had total cash receipts of \$4,380,934. The cash disbursements totaled \$3,745,200, for an increase in net position of \$635,734 during fiscal year 2016. Disbursements decreased in fiscal year 2016 due to timing of payments to the Council's primary provider of web-based education applications to its member districts. Charges for services rates were increased in anticipation of the increased disbursements.

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)*

The MCOECN Enterprise Projects Fund had total cash receipts of \$2,776,082 with total cash disbursements of \$1,935,811. The net position increased \$840,271 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. The increase in receipts continues to outpace the disbursements resulting in an increase in net position being consistent with the prior year.

The INFOhio Local Projects Fund had an increase in net position of \$33,006.

The MCOECN Projects/Operational Support Fund had total interest receipts of \$3,355, which was the only activity in the fund during fiscal year 2016.

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
As of June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 212,874	\$ 8,029,045	\$ 8,241,919
Net Position			
Restricted for:			
Other Purposes	79,421	0	79,421
Unrestricted	133,453	8,029,045	8,162,498
<i>Total Net Position</i>	<u>\$ 212,874</u>	<u>\$ 8,029,045</u>	<u>\$ 8,241,919</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, 2016

	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	\$ 7,879,981	\$ 281,610	\$ 7,342,118	\$ (256,253)	\$ 0	\$ (256,253)
<i>Total Governmental Activities</i>	<u>7,879,981</u>	<u>281,610</u>	<u>7,342,118</u>	<u>(256,253)</u>	<u>0</u>	<u>(256,253)</u>
Business-Type Activities						
Student Information System Project	3,745,200	4,380,934	0	0	635,734	635,734
MCOECN Enterprise Projects	1,935,811	2,610,105	0	0	674,294	674,294
INFOhio Local Projects	933,654	961,989	0	0	28,335	28,335
Ohio Distance Learning	2,539	3,680	0	0	1,141	1,141
HR Kiosk Project	278,537	279,300	0	0	763	763
<i>Total Business-Type Activities</i>	<u>6,895,741</u>	<u>8,236,008</u>	<u>0</u>	<u>0</u>	<u>1,340,267</u>	<u>1,340,267</u>
<i>Totals</i>	<u>\$ 14,775,722</u>	<u>\$ 8,517,618</u>	<u>\$ 7,342,118</u>	<u>(256,253)</u>	<u>1,340,267</u>	<u>1,084,014</u>
General Receipts						
Investment Earnings				970	12,419	13,389
Miscellaneous				1,002	161,584	162,586
<i>Total General Receipts</i>				<u>1,972</u>	<u>174,003</u>	<u>175,975</u>
Advances				(190,000)	190,000	0
<i>Total General Receipts and Advances</i>				<u>(188,028)</u>	<u>364,003</u>	<u>175,975</u>
Change in Net Position				(444,281)	1,704,270	1,259,989
<i>Net Position Beginning of Year</i>				<u>657,155</u>	<u>6,324,775</u>	<u>6,981,930</u>
<i>Net Position End of Year</i>				<u>\$ 212,874</u>	<u>\$ 8,029,045</u>	<u>\$ 8,241,919</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, 2016

	<u>General</u>	<u>INFOhio Grants</u>	<u>Teacher Student Data Link Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 189,103	\$ 2,368	\$ 0	\$ 21,403	\$ 212,874
Fund Balances					
Restricted	\$ 0	\$ 2,368	\$ 0	\$ 77,053	\$ 79,421
Assigned	19,334	0	0	0	19,334
Unassigned	169,769	0	0	(55,650)	114,119
<i>Total Fund Balances</i>	<u>\$ 189,103</u>	<u>\$ 2,368</u>	<u>\$ 0</u>	<u>\$ 21,403</u>	<u>\$ 212,874</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, 2016

	General	INFOhio Grants	Teacher Student Data Link Grants	Other Governmental Funds	Total Governmental Funds
Receipts					
Intergovernmental	\$ 0	\$ 2,804,861	\$ 1,531,920	\$ 3,005,339	\$ 7,342,120
Investment Income	970	0	0	0	970
Charges for Services	281,610	0	0	0	281,610
Miscellaneous	0	0	0	1,000	1,000
<i>Total Receipts</i>	<u>282,580</u>	<u>2,804,861</u>	<u>1,531,920</u>	<u>3,006,339</u>	<u>7,625,700</u>
Disbursements					
Current:					
Support Services:					
Central	450,015	3,042,596	1,531,920	2,855,450	7,879,981
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(167,435)</u>	<u>(237,735)</u>	<u>0</u>	<u>150,889</u>	<u>(254,281)</u>
Other Financing Sources (Uses)					
Advances Out	(190,000)	0	0	0	(190,000)
<i>Net Change in Fund Balances</i>	<u>(357,435)</u>	<u>(237,735)</u>	<u>0</u>	<u>150,889</u>	<u>(444,281)</u>
<i>Fund Balances Beginning of Year</i>	<u>546,538</u>	<u>240,103</u>	<u>0</u>	<u>(129,486)</u>	<u>657,155</u>
<i>Fund Balances End of Year</i>	<u>\$ 189,103</u>	<u>\$ 2,368</u>	<u>\$ 0</u>	<u>\$ 21,403</u>	<u>\$ 212,874</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, 2016

	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	\$ 989,714	\$ 4,396,252	\$ 695,284	\$ 1,626,013	\$ 321,782	\$ 8,029,045
Net Position						
Unrestricted	989,714	4,396,252	695,284	1,626,013	321,782	8,029,045
Total Net Position	<u>\$ 989,714</u>	<u>\$ 4,396,252</u>	<u>\$ 695,284</u>	<u>\$ 1,626,013</u>	<u>\$ 321,782</u>	<u>\$ 8,029,045</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, 2016

Business-Type Activities - Enterprise Funds						
	Student Information System Project	MCOECN Enterprise Projects	INFOhio Local Projects	MCOECN Projects/ Operational Support	Non-Major Enterprise Funds	Total
Operating Receipts						
Charges for Services	\$ 4,380,934	\$ 2,610,105	\$ 961,989	\$ 0	\$ 282,980	\$ 8,236,008
Other Operating Receipts	0	0	3,259	0	0	3,259
<i>Total Operating Receipts</i>	<u>4,380,934</u>	<u>2,610,105</u>	<u>965,248</u>	<u>0</u>	<u>282,980</u>	<u>8,239,267</u>
Operating Disbursements						
Salaries	43,516	489,210	0	0	0	532,726
Fringe Benefits	16,820	128,847	72	0	0	145,739
Purchased Services	3,678,016	269,882	242,785	0	280,102	4,470,785
Materials and Supplies	3,959	988,551	688,217	0	624	1,681,351
Capital Outlay	2,889	50,358	0	0	0	53,247
Other Operating Disbursements	0	8,963	2,580	0	350	11,893
<i>Total Operating Disbursements</i>	<u>3,745,200</u>	<u>1,935,811</u>	<u>933,654</u>	<u>0</u>	<u>281,076</u>	<u>6,895,741</u>
<i>Operating Income (Loss)</i>	<u>635,734</u>	<u>674,294</u>	<u>31,594</u>	<u>0</u>	<u>1,904</u>	<u>1,343,526</u>
Non-Operating Receipts						
Interest	0	7,652	1,412	3,355	0	12,419
Other Non-Operating Receipts	0	158,325	0	0	0	158,325
<i>Total Non-Operating Receipts</i>	<u>0</u>	<u>165,977</u>	<u>1,412</u>	<u>3,355</u>	<u>0</u>	<u>170,744</u>
<i>Income (Loss) Before Advances</i>	<u>635,734</u>	<u>840,271</u>	<u>33,006</u>	<u>3,355</u>	<u>1,904</u>	<u>1,514,270</u>
Advances In	0	0	0	0	190,000	190,000
<i>Change in Net Position</i>	<u>635,734</u>	<u>840,271</u>	<u>33,006</u>	<u>3,355</u>	<u>191,904</u>	<u>1,704,270</u>
<i>Net Position Beginning 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>
<i>Net Position End of Year</i>	<u>\$ 989,714</u>	<u>\$ 4,396,252</u>	<u>\$ 695,284</u>	<u>\$ 1,626,013</u>	<u>\$ 321,782</u>	<u>\$ 8,029,045</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, 2016*

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, 2016*

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, 2016*

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, HR Kiosk Project, and Enterprise Resource Planning 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, 2016*

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 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 reported at cost.

During fiscal year 2016, the Council had deposits in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus 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. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus 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 2016 were \$970, which includes \$750 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, 2016*

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

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, 2016*

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, 2016, the Council has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Council.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Council.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Council.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 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 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.

**Management Council of the Ohio Education Computer Network
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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 and STAR Plus);
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.

Custodial Credit Risk – In the case of deposits, this is the risk that, in the event of a bank failure, the Council's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Council

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Deposits

At fiscal year-end, the carrying amount of the Council’s deposits was \$8,241,919. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2016, \$2,759,520 of the Council’s bank balance of \$7,975,180 was exposed to custodial risk as discussed below, while \$5,215,660 was covered by the Federal Deposit Insurance Corporation (FDIC), which includes \$4,715,660 held in a STAR Plus 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 2016, 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:

	<u>General</u>	<u>Infohio Grants</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Restricted for:				
INFOhio Project	\$ 0	\$ 2,368	\$ 0	\$ 2,368
Other Purposes	<u>0</u>	<u>0</u>	<u>77,053</u>	<u>77,053</u>
Total Restricted	<u>0</u>	<u>2,368</u>	<u>77,053</u>	<u>79,421</u>
Assigned for:				
Encumbrances:				
Support Services	19,334	0	0	19,334
Total Assigned	<u>19,334</u>	<u>0</u>	<u>0</u>	<u>19,334</u>
Unassigned	169,769	0	(55,650)	114,119
Total Fund Balances	<u>\$ 189,103</u>	<u>\$ 2,368</u>	<u>\$ 21,403</u>	<u>\$ 212,874</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, 2016*

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 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.

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 - School Employees Retirement System (SERS)

Plan Description – Council non-teaching 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. 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 on or 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.

**Management Council of the Ohio Education Computer Network
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The Council's contractually required contribution to SERS was \$273,477 for fiscal year 2016.

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Council's proportion of the net pension liability was based on the Council's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>
Proportionate Share of the Net Pension Liability	\$ 2,494,597
Proportion of the Net Pension Liability	0.04371810%

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 termination). 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.

**Management Council of the Ohio Education Computer Network
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined 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 a weighted averaged 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 target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	100.00 %	

**Management Council of the Ohio Education Computer Network
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 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 net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 3,459,110	\$ 2,494,597	\$ 1,682,398

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Council's net position liability is expected to be significant.

Note 7 - 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, 2016*

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 2016, SERS did not allocate any employer contributions to the Health Care fund. 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 2016, this amount was \$23,000. 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 contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$72, \$11,443 and \$3,765, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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, 2016.

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:

Fund	Amount
General	\$ 19,334
INFOhio Grants	2,370
Nonmajor Governmental	89,800
	<u>\$ 111,504</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, 2016*

Note 9 – Accountability

At June 30, 2016, the OECN Site Review Fund and the Thinkgate Fund had deficit balances in the amounts of \$17,250 and \$38,400, respectively. These deficit fund balances were created at June 30, 2016, as a result of the timing of disbursements for grant expenditures.

Note 10 – Interfund Activity

The General Fund advanced \$190,000 to the ERP Project enterprise fund to support operations during fiscal year 2016, these amounts are expected to be repaid within one year.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Race To The Top Early Learning Challenge	84.412	10,000	10,000
Race-to-the-Top IIS Support Grants	84.395A	131,468	-
Total State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants		<u>141,468</u>	<u>10,000</u>
Improving Teacher Quality State Grants	84.367A	1,531,920	1,531,920
Total U.S. Department of Education		<u>1,673,388</u>	<u>1,541,920</u>
Total Federal Awards		<u>\$ 1,673,388</u>	<u>\$ 1,541,920</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, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and 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, 2016. 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 Principals, 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, as applicable, either the cost principals contained in OMB Circular A-87 *Cost Principals for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principals contained in Title 2 U.S. Code of Federal Requirements Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards*, 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.



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 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, 2016, 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, 2017, 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 communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 8, 2017



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 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, Franklin County, Ohio'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, 2016. 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 program.

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, 2016.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-3402 or 800-443-9275

www.ohioauditor.gov

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 each 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.



Dave Yost
Auditor of State
Columbus, Ohio

February 8, 2017

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Improving Teacher Quality State Grants – CFDA #84.367A
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	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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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 21, 2017