



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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2018

**MANAGEMENT COUNCIL OF THE OHIO EDUCATION COMPUTER NETWORK
FRANKLIN COUNTY
JUNE 30, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Management Council of the Ohio Education Computer Network, Franklin County, Ohio (the Council), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Management Council of the Ohio Education Computer Network, Franklin County, Ohio, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, during 2018, the Council has elected to restate prior year fund balance for the General Fund and net position for the MCOECN Kiosk Project Fund, Governmental Activities and Business Type Activities due to a change in financial presentation. 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 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 March 5, 2019, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

March 5, 2019

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(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, 2018. 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 2018 are as follows:

- ❑ In total, net position increased \$1,630,407, with a \$143,938 decrease in business-type activities and a \$1,774,345 increase in governmental activities.
- ❑ During fiscal year 2018, the Council determined all MCOECN Kiosk Project fund activity should be in the General Fund as receipts and disbursements represent general operational activity of the Council.
- ❑ During fiscal year 2018, the Council sold the DASL software for \$8,000,000. The Council distributed \$7,245,000 to the member's of the Council.

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 2018?" The Statement of Net Position and the Statement of Activities answer this question.

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)*

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.

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 Roster Verification Grant Fund. The ERP Project Fund, the Student Information System Project Fund, the INFOhio Local Projects Fund and the MCOECN Projects/Operational Support Fund are the Council's most significant business-type activities funds.

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

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

The Council as a Whole

Table 1 provides a summary of the Council's net position for fiscal year 2018 compared to 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 6,248,205	\$ 4,473,860	\$ 3,996,181	\$ 4,140,119	\$ 10,244,386	\$ 8,613,979
Net Position						
Restricted for:						
Other Purposes	192,135	219,639	0	0	192,135	219,639
Unrestricted	6,056,070	4,254,221	3,996,181	4,140,119	10,052,251	8,394,340
<i>Total Net Position</i>	<u>\$ 6,248,205</u>	<u>\$ 4,473,860</u>	<u>\$ 3,996,181</u>	<u>\$ 4,140,119</u>	<u>\$ 10,244,386</u>	<u>\$ 8,613,979</u>

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)*

Net position of the governmental activities increased \$1,774,345 which represents a 40 percent increase from fiscal year 2017. The net position of the business-type activities decreased \$143,938 or 3 percent from fiscal year 2017. See Page 8 for detailed explanations causing these fluctuations.

A portion of the Council's net position, \$192,135 or 2 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$10,052,251 may be used to meet the Council's ongoing obligations.

Table 2 shows the changes in net position for fiscal year 2018, compared to fiscal year 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Receipts						
Program Receipts						
Charges for Services and Sales	\$ 3,460,521	\$ 3,255,499	\$ 4,090,759	\$ 6,166,319	\$ 7,551,280	\$ 9,421,818
Operating Grants, Contributions and Interest	6,632,327	6,033,250	0	0	6,632,327	6,033,250
<i>Total Program Receipts</i>	<u>10,092,848</u>	<u>9,288,749</u>	<u>4,090,759</u>	<u>6,166,319</u>	<u>14,183,607</u>	<u>15,455,068</u>
General Receipts						
Investment Earnings	106,972	32,139	42,891	17,888	149,863	50,027
Miscellaneous	155,099	116,368	96,141	2,796	251,240	119,164
<i>Total General Receipts</i>	<u>262,071</u>	<u>148,507</u>	<u>139,032</u>	<u>20,684</u>	<u>401,103</u>	<u>169,191</u>
<i>Total Receipts</i>	<u>10,354,919</u>	<u>9,437,256</u>	<u>4,229,791</u>	<u>6,187,003</u>	<u>14,584,710</u>	<u>15,624,259</u>
Program Disbursements						
Support Services:						
Fiscal	153,044	98,457	0	0	153,044	98,457
Central	9,857,530	9,115,646	0	0	9,857,530	9,115,646
INFOhio Local Projects	0	0	804,138	816,180	804,138	816,180
Student Information System Project	0	0	2,537,861	4,433,973	2,537,861	4,433,973
ERP Project	0	0	354,157	1,328,347	354,157	1,328,347
Ohio Distance Learning	0	0	2,573	2,797	2,573	2,797
<i>Total Program Disbursements</i>	<u>10,010,574</u>	<u>9,214,103</u>	<u>3,698,729</u>	<u>6,581,297</u>	<u>13,709,303</u>	<u>15,795,400</u>
<i>Excess / (Deficiency) Before Special Items and Advances</i>	344,345	223,153	531,062	(394,294)	875,407	(171,141)
Special Item (See Note 2)	8,000,000	0	0	543,201	8,000,000	543,201
Special Item (See Note 2)	(7,245,000)	0	0	0	(7,245,000)	0
Advances	675,000	(485,000)	(675,000)	485,000	0	0
<i>Change in Net Position</i>	1,774,345	(261,847)	(143,938)	633,907	1,630,407	372,060
<i>Net Position Beginning of Year -Restated</i>	4,473,860	4,735,707	4,140,119	3,506,212	8,613,979	8,241,919
<i>Net Position End of Year</i>	<u>\$ 6,248,205</u>	<u>\$ 4,473,860</u>	<u>\$ 3,996,181</u>	<u>\$ 4,140,119</u>	<u>\$ 10,244,386</u>	<u>\$ 8,613,979</u>

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)*

The increase in receipts in the governmental activities can be attributed to the restoration of the INFOhio Grant to the previous funding level. The increase in disbursements for the governmental activities can be attributed to increased expenditures in the INFOhio Grant due to its increased funding level. The decrease in receipts and disbursements for business-type activities can be attributed to the sale of DASL software during the audit period. The sale resulted in the Management Council no longer collecting fees and paying development costs on behalf of ITCs.

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.

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

	Total Cost of Services		Net Cost of Services	
		Restated		Restated
	2018	2017	2018	2017
<i>Program Disbursements</i>				
Support Services:				
Fiscal	\$ 153,044	\$ 98,457	\$ 153,044	\$ 98,457
Central	9,857,530	9,115,646	(235,318)	(23,811)
Total	\$ 10,010,574	\$ 9,214,103	\$ (82,274)	\$ 74,646

Business-Type Activities

Business-type activities include providing services to clients for the ERP Project, Student Information System software, INFOhio Local Projects, Ohio Distance Learning, and other special projects. These programs had total receipts of \$4,229,791 and disbursements (including advances out) of \$4,373,729 for fiscal year 2018. The major source of revenue for these funds is charges for services, accounting for \$4,090,759 or 97 percent of total business-type receipts.

The Council's Funds

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

The Council's governmental funds reported a combined fund balance of \$6,248,205, which is higher than the prior year restated balance of \$4,473,860.

The General Fund's fund balance increased \$1,819,099 in fiscal year 2018. The increase in fund balance can be attributed to the Council returning an advance from the ERP Project Fund to the General Fund and the board's decision to retain a portion of the proceeds from the DASL Sale to fund future projects of the Council.

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)*

The INFOhio Grants Fund balance increased \$40,375 in fiscal year 2018. The increase in fund balance is primarily due to the timing of grant disbursements versus grants received.

The Roster Verification Grant Fund had no change to the fund balance in fiscal year 2018.

The Council's enterprise funds reported a combined net position of \$3,996,181, which is lower than the prior year restated balance of \$4,140,119.

The ERP Project Fund had an increase in net position of \$69,678 during fiscal year 2018.

The Student Information System Project Fund had a decrease in net position of \$381,205 during fiscal year 2018. This decrease is due to the timing of payments received to pay for the services of the Student Information State Support team. Payment for January through June salary and fringe benefit expenses was received in July 2018.

The INFOhio Local Projects Fund had an increase in net position of \$140,126. This increase is due to a slight increase in revenue from services provided out pacing disbursements.

The MCOECN Projects/Operational Support Fund had an increase in net position of \$27,429.

Contacting the Council's Financial Management

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

Management Council of the Ohio Education Computer Network
Franklin County, Ohio
Statement of Net Position - Cash Basis
June 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$ 6,248,205</u>	<u>\$ 3,996,181</u>	<u>\$ 10,244,386</u>
Net Position			
Restricted for:			
Other Purposes	192,135	0	192,135
Unrestricted	<u>6,056,070</u>	<u>3,996,181</u>	<u>10,052,251</u>
<i>Total Net Position</i>	<u><u>\$ 6,248,205</u></u>	<u><u>\$ 3,996,181</u></u>	<u><u>\$ 10,244,386</u></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, 2018

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	
Governmental Activities						
Support Services:						
Fiscal	\$ 153,044	\$ 0	\$ 0	\$ (153,044)	\$ 0	\$ (153,044)
Central	9,857,530	3,460,521	6,632,327	235,318	0	235,318
<i>Total Governmental Activities</i>	<u>10,010,574</u>	<u>3,460,521</u>	<u>6,632,327</u>	<u>82,274</u>	<u>0</u>	<u>82,274</u>
Business-Type Activities						
Student Information System Project	2,537,861	2,071,565	0	0	(466,296)	(466,296)
ERP Project	354,157	1,098,835	0	0	744,678	744,678
INFOhio Local Projects	804,138	917,752	0	0	113,614	113,614
Ohio Distance Learning	2,573	2,607	0	0	34	34
<i>Total Business-Type Activities</i>	<u>3,698,729</u>	<u>4,090,759</u>	<u>0</u>	<u>0</u>	<u>392,030</u>	<u>392,030</u>
<i>Totals</i>	<u>\$ 13,709,303</u>	<u>\$ 7,551,280</u>	<u>\$ 6,632,327</u>	<u>82,274</u>	<u>392,030</u>	<u>474,304</u>
General Receipts						
Investment Earnings				106,972	42,891	149,863
Miscellaneous				155,099	96,141	251,240
<i>Total General Receipts</i>				<u>262,071</u>	<u>139,032</u>	<u>401,103</u>
Special Item (See Note 2)				8,000,000	0	8,000,000
Special Item (See Note 2)				(7,245,000)	0	(7,245,000)
Advances				675,000	(675,000)	0
<i>Total General Receipts and Advances</i>				<u>1,692,071</u>	<u>(535,968)</u>	<u>1,156,103</u>
Change in Net Position				1,774,345	(143,938)	1,630,407
<i>Net Position Beginning of Year, Restated (See Note 11)</i>				<u>4,473,860</u>	<u>4,140,119</u>	<u>8,613,979</u>
<i>Net Position End of Year</i>				<u>\$ 6,248,205</u>	<u>\$ 3,996,181</u>	<u>\$ 10,244,386</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
June 30, 2018

	<u>General</u>	<u>INFOhio Grants</u>	<u>Roster Verification Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$ 6,073,320</u>	<u>\$ 89,756</u>	<u>\$ 0</u>	<u>\$ 85,129</u>	<u>\$ 6,248,205</u>
Fund Balances					
Restricted	\$ 0	\$ 89,756	\$ 0	\$ 102,379	\$ 192,135
Assigned	454,021	0	0	0	454,021
Unassigned	<u>5,619,299</u>	<u>0</u>	<u>0</u>	<u>(17,250)</u>	<u>5,602,049</u>
<i>Total Fund Balances</i>	<u>\$ 6,073,320</u>	<u>\$ 89,756</u>	<u>\$ 0</u>	<u>\$ 85,129</u>	<u>\$ 6,248,205</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, 2018

	General	INFOhio Grants	Roster Verification Grants	Other Governmental Funds	Total Governmental Funds
Receipts					
Intergovernmental	\$ 0	\$ 2,963,952	\$ 1,231,138	\$ 2,437,237	\$ 6,632,327
Investment Income	106,972	0	0	0	106,972
Charges for Services	3,460,521	0	0	0	3,460,521
Miscellaneous	155,099	0	0	0	155,099
<i>Total Receipts</i>	<u>3,722,592</u>	<u>2,963,952</u>	<u>1,231,138</u>	<u>2,437,237</u>	<u>10,354,919</u>
Disbursements					
Current:					
Support Services:					
Fiscal	153,044	0	0	0	153,044
Central	3,180,449	2,923,577	1,231,138	2,522,366	9,857,530
<i>Total Disbursements</i>	<u>3,333,493</u>	<u>2,923,577</u>	<u>1,231,138</u>	<u>2,522,366</u>	<u>10,010,574</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>389,099</u>	<u>40,375</u>	<u>0</u>	<u>(85,129)</u>	<u>344,345</u>
Other Financing Sources (Uses)					
Advances In	675,000	0	0	0	675,000
Special Items					
Special Item (See Note 2)	8,000,000	0	0	0	8,000,000
Special Item (See Note 2)	(7,245,000)	0	0	0	(7,245,000)
<i>Net Change in Fund Balances</i>	1,819,099	40,375	0	(85,129)	1,774,345
<i>Fund Balances Beginning of Year, Restated (See Note 11)</i>	<u>4,254,221</u>	<u>49,381</u>	<u>0</u>	<u>170,258</u>	<u>4,473,860</u>
<i>Fund Balances End of Year</i>	<u>\$ 6,073,320</u>	<u>\$ 89,756</u>	<u>\$ 0</u>	<u>\$ 85,129</u>	<u>\$ 6,248,205</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
June 30, 2018

	Enterprise Funds					Total
	ERP Project	Student Information System Project	INFOhio Local Projects	MCOECN Projects/ Operational Support	Non-Major Enterprise Funds	
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 249,007	\$ 1,159,252	\$ 916,918	\$ 1,665,406	\$ 5,598	\$ 3,996,181
Net Position						
Unrestricted	249,007	1,159,252	916,918	1,665,406	5,598	3,996,181
Total Net Position	<u>\$ 249,007</u>	<u>\$ 1,159,252</u>	<u>\$ 916,918</u>	<u>\$ 1,665,406</u>	<u>\$ 5,598</u>	<u>\$ 3,996,181</u>

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, 2018

	Enterprise Funds					Total
	ERP Project	Student Information System Project	INFOhio Local Projects	MCOECN Projects/ Operational Support	Non-Major Enterprise Funds	
Operating Receipts						
Charges for Services	\$ 1,098,835	\$ 2,071,565	\$ 917,752	\$ 0	\$ 2,607	\$ 4,090,759
Other Operating Receipts	0	85,091	1,050	0	0	86,141
<i>Total Operating Receipts</i>	<u>1,098,835</u>	<u>2,156,656</u>	<u>918,802</u>	<u>0</u>	<u>2,607</u>	<u>4,176,900</u>
Operating Disbursements						
Salaries	50,191	530,420	20,992	0	0	601,603
Fringe Benefits	16,375	169,962	5,796	0	0	192,133
Purchased Services	284,449	1,810,669	130,141	0	1,725	2,226,984
Materials and Supplies	3,142	26,810	646,869	0	415	677,236
Capital Outlay	0	0	340	0	0	340
Other Operating Disbursements	0	0	0	0	433	433
<i>Total Operating Disbursements</i>	<u>354,157</u>	<u>2,537,861</u>	<u>804,138</u>	<u>0</u>	<u>2,573</u>	<u>3,698,729</u>
<i>Operating Income (Loss)</i>	<u>744,678</u>	<u>(381,205)</u>	<u>114,664</u>	<u>0</u>	<u>34</u>	<u>478,171</u>
Non-Operating Receipts						
Interest	0	0	15,462	27,429	0	42,891
Other Non-Operating Receipts	0	0	10,000	0	0	10,000
<i>Total Non-Operating Receipts</i>	<u>0</u>	<u>0</u>	<u>25,462</u>	<u>27,429</u>	<u>0</u>	<u>52,891</u>
<i>Income (Loss) Before Advances</i>	<u>744,678</u>	<u>(381,205)</u>	<u>140,126</u>	<u>27,429</u>	<u>34</u>	<u>531,062</u>
Advances Out	(675,000)	0	0	0	0	(675,000)
<i>Change in Net Position</i>	<u>69,678</u>	<u>(381,205)</u>	<u>140,126</u>	<u>27,429</u>	<u>34</u>	<u>(143,938)</u>
<i>Net Position Beginning of Year, Restated (See Note 11)</i>	<u>179,329</u>	<u>1,540,457</u>	<u>776,792</u>	<u>1,637,977</u>	<u>5,564</u>	<u>4,140,119</u>
<i>Net Position End of Year</i>	<u>\$ 249,007</u>	<u>\$ 1,159,252</u>	<u>\$ 916,918</u>	<u>\$ 1,665,406</u>	<u>\$ 5,598</u>	<u>\$ 3,996,181</u>

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, 2018*

Note 1 - Description of the Council

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

Reporting Entity

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

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

The Council’s management believes these financial statements present all activities for which the Council is financially accountable.

Note 2 - Summary of Significant Accounting Policies

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

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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, 2018*

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.

Roster Verification Grant 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 Roster Verification Grant program. This fund was previously the Teacher Student Data Link Grant.

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

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

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

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

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

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

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

C. Basis of Accounting

The Council's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Council's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

D. Budgetary Process

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

E. Cash and Cash Equivalents

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

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. Nonparticipating investment contracts, such as certificates of deposit are recorded at cost.

During the year 2018, the Council invested in STAR Ohio and certificates of deposit. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Council measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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 2018 were \$106,972, which includes \$28,533 assigned from other Council funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Interfund Receivables/Payables

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Pensions and Other Postemployment Benefits (OPEB)

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

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

L. Net Position

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

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

M. Extraordinary and Special Items

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

On January 18, 2018 MCOECN sold their portion of Data Analysis for Student Learning (DASL) software to Software Answers, Inc. for \$8,000,000. MCOECN distributed the majority of the sale proceeds (\$7,245,000) back to all of the information technology centers. Each ITC received an allocation of the sale proceeds based on amounts paid for services related to the DASL software support and development in prior years. These transactions have been reported as special items within the financial statements.

N. Fund Balance

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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 disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Implementation of New Accounting Standards

For the fiscal year ended June 30, 2018, the Council has (to the extent it applies to the cash basis of accounting) implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments*.

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. See Note 7 for further information.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Council.

GASB Statement No. 85 establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits. These changes were incorporated in the Council's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the Council.

Note 3 - Deposits and Investments

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

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

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

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

Protection of the Council's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;

**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, 2018*

5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 40 percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Council, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At fiscal year end, the carrying amount of the Council's deposits was \$1,789,761. Based on the criteria described in GASB Statement No. 40 Deposits and Investment Risk Disclosures, as of June 30, 2018, \$1,634,337 of the Council's bank balance of \$1,884,337 was exposed to custodial credit risk as discussed below, while \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

Investments

As of June 30, 2018, the Council had the following investments:

Rating by S & P	Investment Type	Measurement Amount	Investment Maturities in Years		Percent of Total
			(<1)	(1-3)	
	Net Asset Value (NAV):				
AAAm	STAROhio	\$ 5,514,623	\$ 5,514,623	\$ 0	65.23%
	Cost:				
N/A	Negotiable CD's	2,940,000	980,000	1,960,000	34.77%
		<u>\$ 8,454,623</u>	<u>\$ 6,494,623</u>	<u>\$ 1,960,000</u>	<u>100.00%</u>

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Interest Rate Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2018, is 49 days and carries a rating of AAAM by S&P Global Ratings.

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 2018, 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:

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

	General	INFOhio Grants	Other Governmental	Total Governmental
Restricted for:				
INFOhio Project	\$ 0	\$ 89,756	\$ 0	\$ 89,756
Other Purposes	0	0	102,379	102,379
Total Restricted	<u>0</u>	<u>89,756</u>	<u>102,379</u>	<u>192,135</u>
Assigned for:				
Encumbrances:				
Support Services	454,021	0	0	454,021
Total Assigned	<u>454,021</u>	<u>0</u>	<u>0</u>	<u>454,021</u>
Unassigned	5,619,299	0	(17,250)	5,602,049
Total Fund Balances	<u>\$ 6,073,320</u>	<u>\$ 89,756</u>	<u>\$ 85,129</u>	<u>\$ 6,248,205</u>

Note 6 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire 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.

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

When a benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a three percent simple annual COLA. For those retiring after January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at three percent.

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2018.

The Council’s contractually required contribution to SERS was \$417,214.

**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, 2018*

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The Council's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share:

	SERS
Proportionate Share of the Net Pension Liability	\$ 2,394,255
Proportion of the Net Pension Liability	0.04007270%

Actuarial Assumptions - SERS

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

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, 2017, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Mortality rates among active members were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015. The assumed rate of inflation, payroll growth assumption and assumed real wage growth were reduced in the most recent actuarial valuation. The rates of withdrawal, retirement and disability updated to reflect recent experience and mortality rates were also updated.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The 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 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Council's Proportionate Share of the Net Pension Liability	\$ 3,322,604	\$ 2,394,255	\$ 1,616,574

Note 7 – Defined Benefit OPEB Plans

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

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

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

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

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

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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. For fiscal year 2018, the Council had no surcharge obligation.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Council's contractually required contribution to SERS was \$15,452 for fiscal year 2018. For fiscal years 2017 and 2016, SERS did not allocate employer contributions to the Health Care Fund.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Council's proportion of the net OPEB liability was based on the Council's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>
Proportionate Share of the Net OPEB Liability	\$ 981,883
Proportion of the Net OPEB Liability	0.03658640%

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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 OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate	
Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Prior Measurement Date	2.98 percent, net of plan investment expense, including price inflation
Medical Trend Assumption	
Medicare	5.50 percent - 5.00 percent
Pre-Medicare	7.50 percent - 5.00 percent

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

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the Council's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5 percent decreasing to 4.0 percent) and higher (8.5 percent decreasing to 6.0 percent) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
Council's Proportionate Share of the Net OPEB Liability	\$ 1,185,749	\$ 981,883	\$ 820,369

	1% Decrease	Current Trend Rate	1% Increase
Council's Proportionate Share of the Net OPEB Liability	\$ 796,724	\$ 981,883	\$ 1,226,943

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, 2018.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

B. Litigation

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

C. Other Commitments

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

<u>Fund</u>	<u>Amount</u>
General	\$ 454,021
INFOhio Grants	87,758
Service Desk Grant	5,112
Fiscal Redesign	21,239
Fiscal Redesign UAT	24,157
EMIS Support Grant	112,000
ELSRPD Grant	2,800
KRA-ELA Grant	18,558
Disaster Recovery Grant	13,258
	<u>\$ 738,903</u>

Note 9 – Accountability

At June 30, 2018, the Other Grants Fund had a deficit balance in the amount of \$17,250. This deficit fund balance was created at June 30, 2018, as a result of the timing of disbursements and drawdowns for grant expenditures.

Note 10 – Interfund Activity

The ERP Project enterprise fund returned the prior fiscal year advance of \$675,000 to the General Fund.

Note 11 – Restatement of Fund Balance/Net Position

During 2018, the Council determined MCOECN Kiosk Project Fund activity should be included in the General Fund. This was due to the actual receipts and disbursements representing general operational activity of the Council.

See impact on fund balance/net position below:

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Ending net position, June 30, 2017	\$ 4,310,300	\$ 4,303,679
Adjustments:		
Reclass of MCOECN Kiosk Project Fund	<u>163,560</u>	<u>(163,560)</u>
Beginning net position, July 1, 2017	<u>\$ 4,473,860</u>	<u>\$ 4,140,119</u>

	<u>General Fund</u>
Ending fund balance, June 30, 2017	\$ 4,090,661
Adjustments:	
Reclass of MCOECN Kiosk Project Fund	<u>163,560</u>
Beginning fund balance, July 1, 2017	<u>\$ 4,254,221</u>

	<u>Non-Major Enterprise Funds</u>
Ending net position, June 30, 2017	\$ 169,124
Adjustments:	
Reclass of MCOECN Kiosk Project Fund	<u>(163,560)</u>
Beginning net position, July 1, 2017	<u>\$ 5,564</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010A	N/a	\$392,800
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013A	N/a	700
Special Education Cluster (IDEA):			
Special Education - Preschool Grants	84.173A	N/a	<u>19,740</u>
Total Special Education Cluster (IDEA):			<u>19,740</u>
Twenty-First Century Community Learning Centers	84.287C	N/a	30,100
Rural Education	84.358B	N/a	2,400
English Language Acquisition State Grants	84.365A	N/a	7,350
Supporting Effective Instruction State Grants	84.367A	N/a	553,300
School Improvement Grants	84.377A	N/a	8,100
Student Support and Academic Enrichment Program	84.424A	N/a	5,250
Total Passed Through Ohio Department of Education:			<u>1,019,740</u>
Total U.S. Department of Education			<u>1,019,740</u>
Total Expenditures of Federal Awards			<u><u>\$1,019,740</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 EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FISCAL YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Management Council of the Ohio Education Computer Network (the Council) under programs of the federal government for the year ended June 30, 2018. 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 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.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Management Council of the Ohio Education Computer Network, Franklin County, Ohio (the Council) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated March 5, 2019, wherein we noted the Council uses a special purpose framework other than generally accepted accounting principles. Also, we noted the Council has elected to restate prior year fund balance for the General Fund and net position for the MCOECN Kiosk Project Fund, Governmental Activities and Business Type Activities due to a change in financial presentation.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

March 5, 2019

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited the Management Council of the Ohio Education Computer Network's, Franklin County, Ohio (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, 2018. 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.

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

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, 2018.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

March 5, 2019

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



MANAGEMENT COUNCIL OF OHIO EDUCATION COMPUTER NETWORK (MCOECN)

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 28, 2019**