

**NORTHEAST OHIO NETWORK FOR EDUCATIONAL TECHNOLOGY
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 1999 - 1998

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REPORT OF INDEPENDENT ACCOUNTANTS

Northeast Ohio Network for Educational Technology
Summit County
420 Washington Avenue
Cuyahoga Falls, Ohio 44221

To the Board of Directors:

We have audited the accompanying financial statements of the Northeast Ohio Network for Educational Technology (NEONET) as of and for the years ended June 30, 1999 and 1998, as listed in the Table of Contents. These financial statements are the responsibility of NEONET's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, NEONET prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of NEONET as of June 30, 1999 and 1998, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 1999 on our consideration of NEONET's internal control over financial reporting and our tests of its compliance with laws, regulations and contracts.

This report is intended solely for the information and use of management, the Board of Directors, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Jim Petro
Auditor of State

December 20, 1999

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**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCE - ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
Operating Cash Receipts:		
ADM service fees	\$491,148	\$415,033
Operating Cash Disbursements:		
Employee wages and benefits	562,750	482,707
Purchased services	231,871	138,395
Materials and supplies	46,800	26,600
Capital outlay	51,258	41,891
Dues and fees/liability insurance	<u>11,774</u>	<u>6,700</u>
Total operating cash disbursements	<u>904,453</u>	<u>696,293</u>
Total cash receipts under cash disbursements	(413,305)	(281,260)
Non-operating Cash Receipts:		
Intergovernmental	632,933	615,683
Refund of prior years expenditures	<u>3,958</u>	<u>3,958</u>
	<u>632,933</u>	<u>619,641</u>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	219,628	338,381
Fund cash balances, July 1	<u>1,207,449</u>	<u>869,068</u>
Fund cash balances, June 30	<u>\$1,427,077</u>	<u>\$1,207,449</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999-1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Northeast Ohio Network for Educational Technology, Summit County (NEONET) 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 as defined by Section 3313.92 of the Ohio Revised Code.

NEONET is a not-for-profit computer service organization owned and operated by eighteen school districts in the Ohio counties of Summit and Portage, which form NEONET's General Assembly. The primary function of NEONET is to provide information services to its member school districts with major emphasis being placed on accounting, payroll and inventory control services.

NEONET is one of twenty-three regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as "Data Acquisition Sites." The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member school districts. Such sites, in conjunction with the Ohio Department of Education, comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio school districts. Funding for this network and for NEONET is derived from the State of Ohio and from user fees.

The laws governing OECN require that a board of education serve as fiscal agent for Data Acquisition Sites receiving state funds. Agreements entered into pursuant to Section 3313.92 of the Ohio Revised Code must be approved by the State Superintendent of Public Instruction who has interpreted this revised code section to require a board of education to serve as fiscal agent for a Data Acquisition Site receiving funds from OECN. For this reason, the Summit County Educational Service Center (SCESC) serves as fiscal agent for NEONET and performs certain functions to ensure receipt of funds from the OECN. Essentially, these functions are to apply for and maintain the Data Acquisition Site permit for the central data processing equipment and to hold legal title to the central data processing equipment. NEONET is located in the Summit County Educational Service Center's building in Cuyahoga Falls, Ohio.

NEONET's management believes these financial statements present all activities for which NEONET is financially accountable.

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned. Disbursements are recognized when they are paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH AND INVESTMENTS

In accordance with the Ohio Revised Code and the Agreement between NEONET and SCESC, NEONET's cash is held and invested by the Treasurer of SCESC, who acts as custodian for NEONET's monies. NEONET's assets are held in SCESC's cash and investment pool, and are valued at the SCESC's reported carrying amount.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999-1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUND ACCOUNTING

NEONET maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of government entities in which legal or other restraints require the recording of specific receipts and disbursements. The Enterprise Fund is the general operating fund of NEONET. This fund is utilized to account for all financial resources of NEONET as none of those resources are required by law or contract to be restricted.

E. PROPERTY, PLANT AND EQUIPMENT

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

F. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by NEONET.

2. EQUITY IN POOLED CASH

The Treasurer for SCESC is the statutory fiscal officer for NEONET. SCESC maintains cash and investments in a pool used by all funds.

	<u>1999</u>	<u>1998</u>
Demand deposits and investments on deposit with SCESC	\$1,427,077	\$1,207,449

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to SCESC.

3. RETIREMENT SYSTEMS

NEONET's full-time employees belong to the School Employees Retirement System (SERS) of Ohio. SERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. NEONET has paid all contributions required through June 30, 1999.

Contribution rates are also prescribed by the Ohio Revised Code. NEONET's members are required to contribute 9% of their annual covered salary, and NEONET is required to contribute 14% of the employees' salaries.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999-1998
(Continued)

4. RISK MANAGEMENT

NEONET is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

- General liability and casualty
- Public officials' liability

NEONET also provides health insurance and dental and vision coverage to full-time employees through the Stark County Schools Council of Government, a risk sharing pool.

5. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the data processing organization's operations as early as 2000. NEONET has completed an inventory of computer systems and other electronic equipment that are considered to be mission critical.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that NEONET is or will be Year 2000 ready, that the NEONET's remediation efforts will be successful in whole or in part, or that parties with whom NEONET does business will be Year 2000 ready.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Northeast Ohio Network for Educational Technology
Summit County
420 Washington Avenue
Cuyahoga Falls, Ohio 44221

To the Board of Directors:

We have audited the financial statements of the Northeast Ohio Network for Educational Technology (NEONET) as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated December 20, 1999. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether NEONET's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Accounting Standards*.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered NEONET's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of NEONET in a separate letter dated December 20, 1999.

This report is intended for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", is written over a circular stamp or seal that is partially obscured.

Jim Petro
Auditor of State

December 20, 1999



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SUMMIT 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.

By: _____

Susan Babbitt

Clerk of the Bureau

Date: _____

JAN 11 2000