



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

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2001-2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



NORTHEAST OHIO NETWORK FOR EDUCATIONAL TECHNOLOGY  
SUMMIT COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance - General Fund For the Years Ended June 30, 2001 and 2000 .....	3
Notes to the Financial Statements .....	5
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i> .....	9

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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 Northeast Ohio Network for Educational Technology, Summit County, (NEOnet) as of and for the years ended June 30, 2001 and 2000. These financial statements are the responsibility of the 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 auditing standards generally accepted in the United States of America 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 discussed 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 accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance and reserves for encumbrances of NEOnet as of June 30, 2001 and 2000, and its cash receipts and cash 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 August 3, 2001 on our consideration of NEOnet's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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 §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

August 3, 2001

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCE - GENERAL FUND  
FOR THE YEARS ENDED JUNE 30, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
<b>Cash Receipts:</b>		
Intergovernmental	\$693,711	\$655,583
ADM service fees	<u>692,806</u>	<u>595,802</u>
 Total Cash Receipts	 <u>1,386,517</u>	 <u>1,251,385</u>
<b>Cash Disbursements:</b>		
Employee wages and benefits	711,832	688,611
Purchased services	348,949	238,928
Materials and supplies	52,174	26,110
Other objects	755	22,679
Capital Outlay	<u>177,322</u>	<u>154,518</u>
 Total Cash Disbursements	 <u>1,291,032</u>	 <u>1,130,846</u>
 Total Receipts Over Disbursements	 <u>95,485</u>	 <u>120,539</u>
<b>Other Financing Receipts:</b>		
Refund of prior years expenditures	<u></u>	<u>9,072</u>
 Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	 95,485	 129,611
 Fund Cash Balances, July 1	 <u>1,556,688</u>	 <u>1,427,077</u>
 <b>Fund Cash Balances, June 30</b>	 <b><u>1,652,173</u></b>	 <b><u>1,556,688</u></b>
 Reserves for Encumbrances, December 31	 <u>\$56,939</u>	 <u>\$165,356</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Northeast Ohio Network for Educational Technology, Summit County, (NEOnet) is a body corporate and politic established to exercise 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 district and 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 the "Data Acquisition Sites." The OECN is a collective group of Data Acquisitions 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 a 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 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 earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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. NEOnet uses the General Fund to account for general operations. It is used to account for all financial resources.

**E. Budgetary Process**

The NEOnet is not required to follow the budgetary process but has decided to adopt a formal budget annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control. The Board annually approves appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of July 1.

**3. Encumbrances**

The NEOnet reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. 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.

**G. 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 basis of accounting used by NEOnet.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2001</u>	<u>2000</u>
Demand deposits and investments on deposit with SCESC	\$1,652,173	\$1,556,688

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to SCESC.

**Investments:** The financial institution maintains records identifying the SCESC as owner of these securities.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2001 and 2000 as follows:

2001 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,275,384	\$1,386,517	\$111,133

2001 Budgeted vs. Actual Budgetary Basis			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,347,774	\$1,347,971	(\$197)

2000 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$814,000	\$1,260,457	\$446,457

2000 Budgeted vs. Actual Budgetary Basis			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,601,122	\$1,296,202	\$304,920

**4. RETIREMENT SYSTEM**

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 health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. NEOnet has paid all contributions required through June 30, 2001.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2001 AND 2000  
(Continued)**

**4. RETIREMENT SYSTEM (Continued)**

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.

**5. 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 Council of Government, a risk sharing pool.



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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 Northeast Ohio Network for Educational Technology, Summit County, (NEOnet) as of and for the years ended June 30, 2001 and 2000 and have issued our report thereon dated August 3, 2001. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Auditing Standards*.

However, we noted a certain immaterial instance of noncompliance that we have reported to management of NEOnet in a separate letter dated August 3, 2001.

**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 another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the NEOnet in a separate letter dated August 3, 2001.

Northeast Ohio Network for Educational Technology  
Summit County  
Report of Independent Accountants on Compliance and on Internal Control  
Required By *Government Auditing Standards*  
Page 2

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.

**Jim Petro**  
Auditor of State

August 3, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**NORTHEAST OHIO NETWORK FOR EDUCATIONAL TECHNOLOGY**

**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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 9, 2001**