

**NORTHEAST OHIO MANAGEMENT
INFORMATION NETWORK
TRUMBULL COUNTY, OHIO**

Audited Financial Statements

For the fiscal years ended June 30, 2011 and 2010



Dave Yost • Auditor of State

The Governing Board
Northeast Ohio Management Information Network
6000 Youngstown-Warren Road
Niles, Ohio 44446

We have reviewed the *Independent Auditor's Report* of the Northeast Ohio Management Information Network, Trumbull County, prepared by Rea & Associates, Inc., for the audit period July 1, 2009 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Northeast Ohio Management Information Network is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 18, 2011

This page intentionally left blank.

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY, OHIO**

TABLE OF CONTENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

TABLE OF CONTENTS

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Statement of Net Assets – Cash Basis – June 30, 2011 and 2010	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets - For the Fiscal Years Ended June 30, 2011 and 2010.....	8
Notes to the Financial Statements	9
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	19

This page is intentionally left blank.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

September 7, 2011

The Governing Board
Northeast Ohio Management Information Network
6000 Youngtown-Warren Road
Niles, OH 44446

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the business-type activities of the Northeast Ohio Management Information Network (NEOMIN), as of and for the years ended June 30, 2011 and 2010, which collectively comprise the NEOMIN's basic financial statements as listed in the table of contents. These financial statements are the responsibility of NEOMIN'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 1B, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the business-type activities of NEOMIN, as of June 30, 2011 and 2010, and the respective changes in cash financial position thereof for the years then ended in conformity with the basis of accounting Note 1B describes.

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2011 on our consideration of NEOMIN'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

The discussion and analysis of the Northeast Ohio Management Information Network's, Trumbull County ("NEOMIN") financial performance provides an overall review of NEOMIN's financial activities for the fiscal years 2011 and 2010, within the limitations of NEOMIN's cash basis of accounting. The intent of this discussion and analysis is to look at NEOMIN's financial performance as a whole; readers should also review the notes to the basic financial statements and cash basis financial statements to enhance their understanding of NEOMIN's financial performance.

Financial Highlights

Key financial highlights for 2011 and 2010 are as follows:

- In total, net cash assets were \$1,814,852 and \$2,080,920 for 2011 and 2010, respectively.
- NEOMIN had operating cash receipts of \$1,106,022 for 2011 and \$1,074,933 for 2010, and operating cash disbursements of \$1,807,491 for 2011 and \$1,763,904 for 2010. NEOMIN also received \$503,198 for 2011 and \$542,869 for 2010 in intergovernmental non-operating cash receipts during those years. The total change in net cash assets between fiscal years 2011 and 2010 was a decrease of \$266,068.

Using these Cash Basis Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to NEOMIN's cash basis of accounting. This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand NEOMIN's financial activities. The Statement of Net Assets – Cash Basis and the Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets provide information about the activities of NEOMIN.

Reporting the Financial Activities

Statement of Net Assets – Cash Basis and Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets

These documents look at all financial transactions and asks the question, "How did we do financially during 2011 and 2010?" The Statement of Net Assets – Cash Basis and the Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets answers this question.

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

These statements include only net cash assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report NEOMIN's net cash assets and changes in those cash assets on a cash basis. This change in net cash assets is important because it tells the reader that, for NEOMIN as a whole, the cash basis financial position has improved or diminished. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and liabilities and their related expenses (such as accounts payable) are not recorded in these cash basis financial statements. 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. The table below provides a summary of NEOMIN's net cash assets at June 30, 2011, 2010 and 2009.

Net Cash Assets

	2011	2010	2009
<u>Assets:</u>			
Cash and Cash Equivalents With Fiscal Agent	\$ 1,814,852	\$ 2,080,920	\$ 2,244,634
Total Assets	\$ 1,814,852	\$ 2,080,920	\$ 2,244,634
<u>Net Cash Assets:</u>			
Unrestricted	\$ 1,814,852	\$ 2,080,920	\$ 2,244,634
Net Cash Assets at End of Year	\$ 1,814,852	\$ 2,080,920	\$ 2,244,634

Over time, net cash assets can serve as a useful indicator of a government's financial position. At June 30, NEOMIN's net cash assets totaled \$1,814,852 for 2011, \$2,080,920 for 2010 and \$2,244,634 for 2009.

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

The table below shows the changes in net cash assets for fiscal years 2011, 2010 and 2009.

Changes in Net Cash Assets			
	2011	2010	2009
Operating Cash Receipts:			
Contracted Services	\$ 1,106,022	\$ 1,074,933	\$ 1,091,259
Total Operating Cash Receipts	1,106,022	1,074,933	1,091,259
Operating Cash Disbursements:			
Salaries	674,021	675,714	663,241
Benefits	265,599	265,672	248,216
Purchased Services	632,611	652,957	717,911
Supplies	183,923	105,869	95,440
Other	51,337	63,692	60,807
Total Operating Cash Disbursements	1,807,491	1,763,904	1,785,615
Surplus/(Deficiency) of operating cash receipts under/over cash disbursements	(701,469)	(688,971)	(694,356)
Non-operating Cash Receipts (Disbursements):			
Capital Outlay	(74,217)	(20,421)	(221,829)
Interest	6,420	2,809	9,606
Intergovernmental	503,198	542,869	598,551
Total Non-Operating Cash Receipts (Disbursements)	435,401	525,257	386,328
Change in Net Cash Assets	(266,068)	(163,714)	(308,028)
Net Cash Assets at Beginning of Year	2,080,920	2,244,634	2,552,662
Net Cash Assets at End of Year	\$ 1,814,852	\$ 2,080,920	\$ 2,244,634

For fiscal year 2011, operating cash receipts and operating cash disbursements increased 2.9% and increased 2.5%, respectively. Supplies increased due to purchases of IPAD's and an increase in software licenses. In 2011, capital outlay increased due to the governing board approval of the purchase of equipment.

For fiscal year 2010, operating cash receipts and operating cash disbursements decreased 1.5% and 1.2%, respectively. Supplies increased due to an increase in software licenses. In 2010, capital outlay decreased due to the governing board not approving the purchase of equipment or improvements.

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

The table below details the percentage of total operating cash disbursements for the years ended June 30, 2011, 2010 and 2009.

	2011	2010	2009
Salaries	37.3%	38.3%	37.2%
Benefits	14.7%	15.1%	13.9%
Purchased Services	35.0%	37.0%	40.2%
Supplies	10.2%	6.0%	5.3%
Other	2.8%	3.6%	3.4%
	100.0%	100.0%	100.0%

Of the total cash receipts, operating cash receipts were 68.5% and non-operating cash receipts were 31.5% for 2011. For 2010, operating cash receipts were 66.3% and non-operating cash receipts were 33.7% of the total cash receipts for the year. For 2009, operating cash receipts were 64.2% and non-operating cash receipts were 35.8% of the total cash receipts for the year.

Current Financial Related Activities

NEOMIN is a not-for-profit computer service organization owned and operated by school districts in the Ohio counties of Ashtabula and Trumbull. NEOMIN's main source of cash receipts is contracted service revenue from the member school districts. NEOMIN also receives funding from the State of Ohio.

NEOMIN is one of 23 regional service organizations created to provide comprehensive, cost efficient, accounting and computer services to the member school districts. NEOMIN will continue to utilize intergovernmental cash receipts and contracted service cash receipts to provide these services in an efficient and effective manner.

Contacting NEOMIN's Financial Management

This financial report is designed to provide our member districts and citizens with a general overview of NEOMIN's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information contact: Lori A. Simione, Treasurer, Northeast Ohio Management Information Network, 6000 Youngstown-Warren Rd., Niles, Ohio 44446.

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
 TRUMBULL COUNTY
 STATEMENT OF NET ASSETS - CASH BASIS
 June 30, 2011 and 2010**

	2011	2010
Assets:		
Cash and Cash Equivalents With Fiscal Agent	\$ 1,814,852	\$ 2,080,920
Total Assets	\$ 1,814,852	\$ 2,080,920
Net Assets:		
Unrestricted	\$ 1,814,852	\$ 2,080,920
Total Net Cash Assets	\$ 1,814,852	\$ 2,080,920

See accompanying notes to the basic financial statements.

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN NET CASH ASSETS
For the Fiscal Years Ending June 30, 2011 and 2010**

	2011	2010
Operating Cash Receipts:		
Contracted Services	\$ 1,106,022	\$ 1,074,933
Total Operating Cash Receipts	1,106,022	1,074,933
Operating Cash Disbursements:		
Salaries	674,021	675,714
Benefits	265,599	265,672
Purchased Services	632,611	652,957
Supplies	183,923	105,869
Other	51,337	63,692
Total Operating Cash Disbursements	1,807,491	1,763,904
Surplus/(Deficiency) of operating cash receipts under/over cash disbursements	(701,469)	(688,971)
Non-operating Cash Receipts (Disbursements):		
Capital Outlay	(74,217)	(20,421)
Interest	6,420	2,809
Intergovernmental	503,198	542,869
Total Non-Operating Cash Receipts (Disbursements)	435,401	525,257
Change in Net Cash Assets	(266,068)	(163,714)
Net Cash Assets at Beginning of Year	2,080,920	2,244,634
Net Cash Assets at End of Year	\$ 1,814,852	\$ 2,080,920

See accompanying notes to the basic financial statements.

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Northeast Ohio Management Information Network (NEOMIN), Trumbull County, is a jointly governed organization among twenty-nine school districts and two educational Service Centers. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board, which consists of nine members; three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and one Treasurer from each county. The Treasurer of the Fiscal Agent is a non-voting member. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. The Trumbull County Educational Services Center, ("ESC") serves as fiscal agent for NEOMIN.

NEOMIN is a member of the Ohio Education Computer Network (OECN). The OECN develops and maintains fiscal and EMIS software that is used statewide by the Ohio school districts. In 1979, the Ohio State Assemble established the Ohio Education Computer Network (OECN). Through the Management Council of the OECN, Information Technology Centers (ITC's) were formed to:

- provide quality cost-effective technology services
- ensure the consistent delivery of comprehensive educational computer services to Ohio's K-12 schools

NEOMIN is wholly owned by its member districts and is governed by a Board of Directors (member Superintendents).

NEOMIN offers five core services to its school districts which are listed below:

- Library Components and Support
- Fiscal Services
- Student Services
- Network Support
- System Support

B. Basis of Accounting

NEOMIN's financial statements are prepared using the cash basis of accounting. Under the cash basis, receipts are recorded in NEOMIN'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.

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS JUNE 30, 2011 AND 2010

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

C. Cash and Cash Equivalents with Fiscal Agents

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

D. Fund Accounting

NEOMIN maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of the government entities in which legal or other restraints require the recording of specific receipts and disbursements. NEOMIN uses an enterprise fund to account for its operations.

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of receipts, disbursements, and/or change in net cash assets is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Operating receipts are those revenues that are generated directly from the primary activity of NEOMIN. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of NEOMIN. All receipts and disbursements not meeting this definition are reported as non-operating.

E. Budgetary Process

NEOMIN 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 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.

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS JUNE 30, 2011 AND 2010

3. Encumbrances

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated 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 NEOMIN.

H. Employer Contributions to Cost-Sharing Pension Plans

NEOMIN recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 4 and 5, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Net Cash Assets

Net cash assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. NEOMIN had no restricted net cash assets at fiscal year-end, that were restricted by enabling legislation.

J. Intergovernmental Receipts

Grants and entitlements are recognized as non-operating receipts in the accounting period in which the money is received. NEOMIN received \$503,198 in 2011 and \$542,869 in 2010.

K. Implementation of New Accounting Policies

For the year ended June 30, 2010, NEOMIN has implemented Governmental Accounting Standards Boards (GASB); GASB Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets,*" GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments,*" and GASB Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies.*"

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
 TRUMBULL COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEARS JUNE 30, 2011 AND 2010

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of NEOMIN.

For the year ended June 30, 2011, NEOMIN has implemented GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice

The implementation of GASB Statement No. 59 did not affect the presentation of the financial statements of NEOMIN.

NOTE 2 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Treasurer of the ESC is the statutory fiscal officer for NEOMIN. The ESC maintains cash and investments in a pool used by all funds. The financial institution maintains records identifying the ESC as owner of these securities.

	2011	2010
Demand deposits and investments on deposit with the ESC	\$1,814,852	\$2,080,920

State statutes classify monies held by the ESC into three categories.

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

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS JUNE 30, 2011 AND 2010

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

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. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period of 180 days in an amount not to exceed 25% of the interim monies 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.

Protection of the ESC's deposits may be provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all uninsured public monies deposited with the institution.

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS JUNE 30, 2011 AND 2010

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

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of NEOMIN's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Interest Rate Risk- As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the ESC's investment policy limits investment portfolio maturities to five years or less.

Credit Risk- The ESC's investments, except for the repurchase agreement as discussed below and STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ESC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the ESC's name. Of the ESC's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the ESC. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to repurchase agreement by 2%. The ESC 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.

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
 TRUMBULL COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEARS JUNE 30, 2011 AND 2010

NOTE 3 - BUDGETARY ACTIVITY

NEOMIN is not required to follow the budgetary process, but has decided to adopt a formal budget annually through the ESC. Budgetary activity for the years ended June 30, 2011 and 2010 follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>2011</u>			
Revenue	\$ 1,524,902	\$ 1,615,640	\$ 90,738
Expenditures *	2,210,130	1,904,785	305,345
<u>2010</u>			
Revenue	\$ 1,640,361	\$ 1,620,611	\$ (19,750)
Expenditures *	2,186,179	1,861,051	325,128

* - Budgeted expenditures include prior year encumbrances and actual expenditures include current year encumbrances

NOTE 4 - DEFINED BENEFIT PENSION PLANS

Plan Description - NEOMIN contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the NEOMIN is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to Health Care and Medicare B Fund.

NOTE 5 - POSTEMPLOYMENT BENEFITS

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan.

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS JUNE 30, 2011 AND 2010

Medicare Part B Plan - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their monthly income; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%.

Health Care Plan - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes 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.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Resources.

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
 TRUMBULL COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEARS JUNE 30, 2011 AND 2010

NOTE 6 - RISK MANAGEMENT

A. Commercial Insurance

NEOMIN 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. Claims have not exceeded insurance coverage in each of the past three years. There has been no significant reduction in insurance coverage from the previous year.

B. Employee Medical/Surgical and Dental Insurance

The Trumbull County Educational ESC (“ESC”), as the fiscal agent for NEOMIN, has contracted with Trumbull County School Employee Insurance Benefits Consortium (the “Consortium”) to provide employee medical/surgical and dental benefits. The Consortium is a shared risk pool comprised of sixteen Trumbull County school districts and the ESC. The ESC is fiscal agent for the Consortium. Rates are set through an annual calculation process. The ESC pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The Executive Committee of the Consortium has the right to return monies to an exiting district subsequent to the settlements of all expenses and claims.

Premiums are as follows:

<u>Carrier</u>	<u>2011</u>		<u>2010</u>	
	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>
Medical Mutual PPO	\$ 427.48	\$ 1,111.86	\$ 427.48	\$ 1,111.86
Dental	28.44	89.02	28.44	89.02
Life (\$50,000 coverage)	4.75	4.75	4.75	4.75

The NEOMIN Governing Board paid 100% of medical, dental, and life insurance premiums for NEOMIN employees until July 1, 2006. After July 1, 2006, the NEOMIN Governing Board paid 95% of the premiums and employees paid 5% of the cost of the premiums. Employees hired after July 1, 2008 pay 10% of the cost of the premiums.

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS JUNE 30, 2011 AND 2010

NOTE 7 - OPERATING LEASE

NEOMIN leased office space under an agreement with terms of five years beginning July 1, 2006 and expiring June 30, 2011. The lease was extended for another five years beginning July 1, 2011 and expiring June 30, 2016. Rent expense for 2011 and 2010 was \$36,400, respectively.

During fiscal year 2011, NEOMIN entered into a new five year lease covering the period July 1, 2011 to June 30, 2016.

Minimum annual rents are as follows:

2012	\$ 34,000
2013	34,000
2014	34,000
2015	34,000
2016	34,000
	<u>\$ 170,000</u>



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

September 7, 2011

The Governing Board
Northeast Ohio Management Information Network
6000 Youngstown Warren Road
Niles, Ohio 44446

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the business-type activities of the Northeast Ohio Management Information Network (NEOMIN) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated September 7, 2011, wherein we noted NEOMIN uses a comprehensive accounting basis other than generally accepted accounting principles. 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.

Internal Control over Financial Reporting

In planning and performing our audits, we considered NEOMIN's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NEOMIN's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NEOMIN's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NEOMIN's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

We noted a certain matter that we reported to management of NEOMIN in a separate letter dated September 7, 2011.

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

Rea & Associates, Inc.



Dave Yost • Auditor of State

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK

TRUMBULL 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
DECEMBER 6, 2011**