

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

Financial Statements

For the fiscal years ended June 30, 2007 and 2006



Mary Taylor, CPA

Auditor of State

The Governing Board
Northeast Ohio Management Information Network
528 Education Highway
Warren, OH 44483

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, 2005 to June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 9, 2008

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

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INDEPENDENT AUDITOR'S REPORT

October 14, 2008

The Governing Board
6000 Youngtown-Warren Road
Niles, OH 44446

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, 2007 and 2006, which collectively comprise the 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 audit.

We conducted our audit 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 audit 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 audit provides a reasonable basis for our opinions.

As discussed in Note 1B, the accompanying financial statements and notes follow the modified 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, 2007 and 2006, and the respective changes in cash financial position thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with "Government Auditing Standards," we have also issued our report dated October 14, 2008 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

Independent Auditor's Report
Page 2

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 audit.

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. 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, 2007 AND 2006**

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 2007 and 2006, 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 2007 and 2006 are as follows:

- In total, net cash assets were \$2,707,818 and \$3,152,554 for 2007 and 2006, respectively.
- NEOMIN had operating cash receipts of \$1,128,008 for 2007 and \$1,073,217 for 2006, and operating cash disbursements of \$2,425,485 for 2007 and \$1,978,209 for 2006. NEOMIN also received \$852,741 for 2007 and \$1,317,413 for 2006 in intergovernmental non-operating cash receipts during those years. The total change in net cash assets between fiscal years 2007 and 2006 was a decrease of \$444,736.

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 Consortium 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 2007 and 2006?" The Statement of Net Assets – Cash Basis and the Statement of Cash Receipts, Cash Disbursements, and Changes in Net Cash Assets answers this question.

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 claims payable) are not recorded in these cash basis financial statements. Therefore, when reviewing the financial information and discussion within this annual report,

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

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, 2007 and 2006.

Net Cash Assets

	<u>2007</u>	<u>2006</u>
<u>Assets:</u>		
Cash and Investments With Fiscal Agent	<u>\$ 2,707,818</u>	<u>\$ 3,152,554</u>
Total Assets	<u><u>\$ 2,707,818</u></u>	<u><u>\$ 3,152,554</u></u>
<u>Net Cash Assets:</u>		
Unrestricted	<u>\$ 2,707,818</u>	<u>\$ 3,152,554</u>
Net Cash Assets at End of Year	<u><u>\$ 2,707,818</u></u>	<u><u>\$ 3,152,554</u></u>

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 \$2,707,818 for 2007 and \$3,152,554 for 2006.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

The table below shows the changes in net cash assets for fiscal years 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Changes in Net Cash Assets		
Operating Cash Receipts:		
Contracted Services	\$ 1,128,008	\$ 1,073,217
Total Operating Cash Receipts	<u>1,128,008</u>	<u>1,073,217</u>
Operating Cash Disbursements:		
Salaries	665,076	663,177
Benefits	239,644	224,985
Purchased Services	1,316,635	975,547
Supplies	20,629	23,129
Other	3,059	6,110
Capital Outlay	180,442	85,261
Total Operating Cash Disbursements	<u>2,425,485</u>	<u>1,978,209</u>
Surplus/(Deficiency) of operating cash receipts under/over cash disbursements	<u>(1,297,477)</u>	<u>(904,992)</u>
Non-operating Cash Receipts:		
Intergovernmental	<u>852,741</u>	<u>1,317,413</u>
Total Non-Operating Cash Receipts	<u>852,741</u>	<u>1,317,413</u>
Change in Net Cash Assets	(444,736)	412,421
Net Cash Assets at Beginning of Year	3,152,554	2,740,133
Net Cash Assets at End of Year	<u><u>\$ 2,707,818</u></u>	<u><u>\$ 3,152,554</u></u>

For fiscal year 2007, operating cash receipts and operating cash disbursements increased 5.1% and 22.6%, respectively, from fiscal year 2006. The operating cash receipts increased due to significant changes in the billings for services. However, the timing of collections can vary due to cash flow issues of member school districts. The operating cash disbursements increased due to a large increase in maintenance fees for the ESIS software. This will be an ongoing expense and will most likely continue to increase moderately in subsequent years.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

The table below details the percentage of total operating cash disbursements for the years ended June 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Salaries	27.4 %	33.5 %
Benefits	9.9 %	11.4 %
Purchased Services	54.3 %	49.3 %
Supplies	0.9 %	1.2 %
Other	0.1 %	0.3 %
Capital Outlay	<u>7.4 %</u>	<u>4.3 %</u>
	<u><u>100.0 %</u></u>	<u><u>100.0 %</u></u>

The non-operating cash receipts decreased due to receiving a one-time state grant in 2006 to install the connection of the NEOMIN network to the Ohio Department of Education and provide ten years of service.

Of the total cash receipts, operating cash receipts were 56.9% and non-operating cash receipts were 43.1% for 2007. For 2006, operating cash receipts were 44.9% and non-operating cash receipts were 55.1% 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, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Assets:		
Cash and Investments With Fiscal Agent	<u>\$ 2,707,818</u>	<u>\$ 3,152,554</u>
Total Assets	<u><u>\$ 2,707,818</u></u>	<u><u>\$ 3,152,554</u></u>
Net Assets:		
Unrestricted	<u>\$ 2,707,818</u>	<u>\$ 3,152,554</u>
Total Net Assets	<u><u>\$ 2,707,818</u></u>	<u><u>\$ 3,152,554</u></u>

**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, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Operating Cash Receipts:		
Contracted Services	\$ 1,128,008	\$ 1,073,217
	<hr/>	<hr/>
Total Operating Cash Receipts	1,128,008	1,073,217
	<hr/>	<hr/>
Operating Cash Disbursements:		
Salaries	665,076	663,177
Benefits	239,644	224,985
Purchased Services	1,316,635	975,547
Supplies	20,629	23,129
Other	3,059	6,110
Capital Outlay	180,442	85,261
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Total Operating Cash Disbursements	2,425,485	1,978,209
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Surplus/(Deficiency) of operating cash receipts under/over cash disbursements	(1,297,477)	(904,992)
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Non-operating Cash Receipts:		
Intergovernmental	852,741	1,317,413
	<hr/>	<hr/>
Total Non-Operating Cash Receipts	852,741	1,317,413
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Change in Net Cash Assets	(444,736)	412,421
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Net Cash Assets at Beginning of Year	3,152,554	2,740,133
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Net Cash Assets at End of Year	<u>\$ 2,707,818</u>	<u>\$ 3,152,554</u>

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS JUNE 30, 2007 AND 2006

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-eight 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 ten members; the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a principal and a treasurer (non-voting members who must be employed by a participating school district, or fiscal agent of NEOMIN). 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, ("TCESC") 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 Assembled 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

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS JUNE 30, 2007 AND 2006

B. Basis of Accounting

NEOMIN's financial statements are prepared using the modified 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.

As a result of the use of the modified 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 Investments with Fiscal Agents

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

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS JUNE 30, 2007 AND 2006

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.

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 2007 and 2006 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.

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
 TRUMBULL COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEARS JUNE 30, 2007 AND 2006

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.

J. Intergovernmental Receipts

Grants and entitlements are recognized as non-operating receipts in the accounting period in which the money is received. NEOMIN received \$852,741 in 2007 and \$1,317,413 in 2006.

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2007</u>	<u>2006</u>
Demand deposits and investments on deposit with TCESC	\$2,707,818	\$3,152,554

State statutes classify monies held by the Service Center 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 Service Center Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the 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

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FOR THE FISCAL YEARS JUNE 30, 2007 AND 2006

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 Service Center'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 Chief Fiscal Officer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 Chief Fiscal Officer, or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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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 School District 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
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 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEARS JUNE 30, 2007 AND 2006

NOTE 3 - BUDGETARY ACTIVITY

NEOMIN is not required to follow the budgetary process, but has decided to adopt a formal budget annually through the Service Center. Budgetary activity for the years ended June 30, 2007 and 2006 follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>2007</u>			
Revenue	\$ 1,823,686	\$ 1,980,749	\$ 157,063
Expenditures *	2,863,640	2,479,789	(383,851)
<u>2006</u>			
Revenue	\$ 2,343,172	\$ 2,390,630	\$ 47,458
Expenditures *	2,671,141	2,115,353	(555,788)

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

NOTE 4 - DEFINED BENEFIT PENSION PLANS

NEOMIN contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and NEOMIN is required to contribute at an actuarially determined rate. The current NEOMIN rate is 14 percent of annual covered payroll. A portion of NEOMIN's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2007 and 2006, 10.68 percent and 10.58 percent, respectively, of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

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FOR THE FISCAL YEARS JUNE 30, 2007 AND 2006

NOTE 5 - POSTEMPLOYMENT BENEFITS

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health

care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal years ended June 30, 2007 and 2006, employer contributions to fund health care benefits were 3.32 percent and 3.42 percent, respectively, of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal years 2007 and 2006, the minimum pay has been established as \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2007, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS has approximately 59,492 participants eligible to receive benefits.

NEOMIN has paid all contributions required in the amounts of \$92,203, \$91,453 and \$85,484 for fiscal years ending June 30, 2007, 2006, and 2005 respectively.

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 two years. There has been no significant reduction in insurance coverage from the previous year.

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
 TRUMBULL COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEARS JUNE 30, 2007 AND 2006

B. Employee Medical/Surgical and Dental Insurance

The Trumbull County Educational Service Center (“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>2007</u>		<u>2006</u>	
	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>
Medical Mutual PPO	\$ 424.76	\$ 1,104.36	\$ 396.97	\$ 1,032.11
Dental	27.33	85.56	26.53	85.56
Life (\$50,000 coverage)	6.00	6.00	6.00	6.00

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.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

October 14, 2008

The Board of Directors
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 Northeast Ohio Management Information Network as of and for the years ended June 30, 2007 and June 30, 2006, and have issued our report thereon dated October 14, 2008, wherein we noted Northeast Ohio Management Information Network revised its financial presentation comparable to the requirements of Government Accounting Standards No. 34. We conducted our audit 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 audit, we considered Northeast Ohio Management Information Network'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 Northeast Ohio Management Information Network's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Northeast Ohio Management Information Network's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Northeast Ohio Management Information Network's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Northeast Ohio Management Information Network's financial statements that is more than inconsequential will not be prevented or detected by Northeast Ohio Management Information Network's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements

will not be prevented or detected by the Northeast Ohio Management Information Network's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Ohio Management Information Network'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 audit 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*.

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

Rea & Associates, Inc.



Mary Taylor, CPA
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 24, 2008**