

428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569



Certified Public Accountants, A.C.

**NORTHEAST OHIO MANAGEMENT
INFORMATION NETWORK
TRUMBULL COUNTY
Regular Audit
For the Years Ended June 30, 2015 and 2014**

www.perrycpas.com

...“bringing more to the table”

Tax- Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Northeast Ohio Management Information Network, Trumbull County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2013 through June 30, 2015. 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

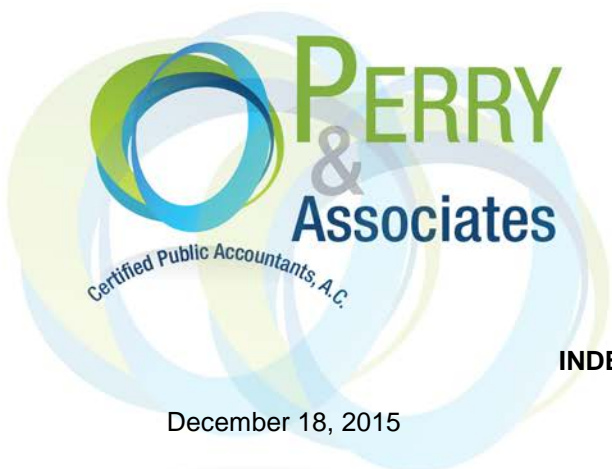
April 4, 2016

This page intentionally left blank.

**NORTHEAST OHIO MANAGEMENT
INFORMATION NETWORK**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report.....	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – Proprietary Fund Type - For the Year Ended June 30, 2015	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) – Proprietary Fund Type - For the Year Ended June 30, 2014	4
Notes to the Financial Statements.....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

INDEPENDENT AUDITOR'S REPORT

December 18, 2015

Northeast Ohio Management Information Network
Trumbull County
6000 Youngstown – Warren Road
Niles, OH 44446

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Northeast Ohio Management Information Network**, Trumbull County, Ohio (NEOMIN) as of and for the years ended June 30, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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



...***"bringing more to the table"***
Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
• Association of Certified Anti - Money Laundering Specialists •



Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the NEOMIN prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though NEOMIN does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of NEOMIN as of June 30, 2015 and 2014, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Northeast Ohio Management Information Network, Trumbull County as of June 30, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NEOMIN's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2015**

	Enterprise
Operating Cash Receipts:	
Charges for Services	<u>\$ 2,018,582</u>
Total Operating Cash Receipts	<u>2,018,582</u>
Operating Cash Disbursements:	
Personal Services	675,700
Employee Fringe Benefits	266,874
Contractual Services	1,101,374
Supplies and Materials	423,489
Other	<u>115,915</u>
Total Operating Cash Disbursements	<u>2,583,352</u>
Operating (Loss)	<u>(564,770)</u>
Non-Operating Receipts (Disbursements):	
Intergovernmental	552,148
Earnings on Investments	5,345
Capital Outlay	<u>(133,471)</u>
Total Non-Operating Receipts (Disbursements)	<u>424,022</u>
<i>Net Change in Fund Cash Balance</i>	(140,748)
<i>Fund Cash Balance, January 1</i>	<u>1,511,808</u>
<i>Fund Cash Balance, December 31</i>	<u>\$ 1,371,060</u>

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

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2014**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 1,681,434
Miscellaneous	14,771
	1,696,205
Operating Cash Disbursements:	
Personal Services	666,331
Employee Fringe Benefits	283,322
Contractual Services	736,407
Supplies and Materials	370,673
Other	117,269
	2,174,002
Total Operating Cash Disbursements	2,174,002
Operating (Loss)	(477,797)
Non-Operating Receipts (Disbursements):	
Intergovernmental	218,959
Earnings on Investments	4,034
Capital Outlay	(72,020)
	150,973
Total Non-Operating Receipts (Disbursements)	150,973
<i>Net Change in Fund Cash Balance</i>	(326,824)
<i>Fund Cash Balance, January 1</i>	1,838,632
<i>Fund Cash Balance, December 31</i>	\$ 1,511,808

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

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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.

Superintendants and treasurers of the participating school districts are eligible to be voting members of the Governing Board, which consists of ten members; the superintendents of both Ashtabula and Trumbull County Educational Service Centers, three superintendents from Ashtabula County school district, three superintendents from Trumbull County school district, 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 Assembly 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 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:

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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).

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Accounting Basis (Continued)

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments with Fiscal Agents

In accordance with the Ohio Revised Code, and the agreement between NEOMIN and the ESC, NEOMIN's deposits and investments are 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 deposit 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 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 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 YEARS ENDED JUNE 30, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

NEOMIN records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. The financial statements do not include a liability for unpaid leave.

H. Employer Contributions to Cost-Sharing Pension Plans

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

I. Intergovernmental Receipts

Grants and entitlements are recognized as non-operating receipts in the accounting period in which the money is received. NEOMIN received \$552,148 in 2015 and \$218,959 in 2014.

2. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2015, NEOMIN has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68". GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affects NEOMIN's pension plan disclosures. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(Continued)**

2. CHANGES IN ACCOUNTING PRINCIPLES (CONTINUED)

The implementation of GASB Statement No. 69 did not have an effect on the financial statements of NEOMIN. GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of NEOMIN.

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

The carrying amount of deposits and investments at June 30, 2015 and 2014 on deposit with the ESC was as follows:

	2015	2014
Demand deposits and investments on deposit with the fiscal agent	\$ 1,371,060	\$ 1,511,808

The fiscal agent is responsible for maintaining adequate depository collateral for all funds in the fiscal agent's pooled and deposit accounts. All risks associated with the above deposits are the responsibility of the fiscal agent.

4. 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, 2015 and 2014 follows:

Revenue	\$ 2,095,535	\$ 2,576,075	\$ 480,540
Expenditures*	2,576,692	2,734,033	(157,341)
<u>2014</u>			
Revenue	1,985,147	1,919,918	(65,229)
Expenditures*	2,412,861	2,288,192	124,669

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

5. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(Continued)**

5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Net Pension Liability (Continued)

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – NEOMIN participates in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(Continued)**

5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Plan Description - School Employees Retirement System (SERS) (Continued)

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and NEOMIN is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

NEOMIN's contractually required contribution to SERS was \$65,209 and \$46,044 for fiscal years 2015 and 2014, respectively.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. NEOMIN's proportion of the net pension liability was based on NEOMIN's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS
Proportionate Share of the Net Pension Liability	\$ 919,074
Proportion of the Net Pension Liability	0.018160%

Actuarial Assumptions – SERS

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

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(Continued)**

5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions – SERS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building block approach and assumes a time horizon, as defined in SERS’ Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(Continued)**

5. DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions – SERS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of NEOMIN's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
NEOMIN's proportionate share of the net pension liability	\$ 1,311,245	\$ 919,074	\$ 589,224

6. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description – NEOMIN's contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(Continued)**

6. POSTEMPLOYMENT BENEFITS (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015 and 2014, NEOMIN's surcharge obligation was \$13,382 and \$13,168, respectively.

NEOMIN's contributions for health care for the fiscal years ended June 30, 2015, 2014, 2013 and 2012 were \$13,382, \$13,168, \$10,777, and \$10,862 respectively. The full amount has been contributed for fiscal years 2015, 2014, 2013, and 2012.

7. 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.

**NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK
TRUMBULL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT (CONTINUED)

B. Employee Medical/Surgical and Dental Insurance (Continued)

Premiums are as follows:

Carrier	2015		2014	
	Single	Family	Single	Family
Medical Mutual PPO	\$ 531.36	\$ 1,382.05	\$ 531.36	\$ 1,382.05
Dental	26.87	84.11	28.44	89.02
Life (\$50,000 coverage)	4.75	4.75	4.75	4.75

Effective January 1, 2012, the NEOMIN Governing Board pays 90% of the medical, dental and life insurance premium while employees pay 10%.

8. LEASE-PURCHASE AGREEMENT

During fiscal year 2013, Trumbull County ESC entered into a lease-purchase agreement on behalf of NEOMIN, in connection with obtaining computer equipment. The lease-purchase agreement is collateralized by the equipment. Revenues of NEOMIN are pledged to repay this agreement. The following represents amounts outstanding at June 30, 2015:

	Principal	Interest Rate
Key Government Finance, Inc.	\$ 19,318	3.653%

Amortization of the above lease-purchase agreement, including interest, is scheduled as follows:

Year Ending June 30,	Key Government Finance, Inc.
2016	\$ 9,903
2017	9,903
	\$ 19,806

9. 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 fiscal years 2015 and 2014 was \$36,400 and \$36,400, respectively.

Minimum annual rents are as follows:

Year Ending June 30,	Building Lease
2016	\$ 34,000
	\$ 34,000



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

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

December 18, 2015

Northeast Ohio Management Information Network
Trumbull County
6000 Youngstown-Warren Road
Niles, OH 44446

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the financial statements of **Northeast Ohio Management Information Network**, Trumbull County (NEOMIN) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated December 18, 2015 wherein we noted NEOMIN followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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



...“bringing more to the table”

Tax- Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

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

Purpose of this Report

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

This page intentionally left blank.



Dave Yost • Auditor of State

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK (NEOMIN)

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
APRIL 19, 2016**