



**NORTH EAST OHIO NETWORK  
MAHONING COUNTY**

**REGULAR AUDIT  
FOR THE YEAR ENDED  
DECEMBER 31, 2010**





# Dave Yost • Auditor of State

Board of Trustees  
North East Ohio Network  
5121 Mahoning Avenue, Suite 102  
Austintown, Ohio 44515

We have reviewed the *Independent Auditors' Report* of the North East Ohio Network, Mahoning County, prepared by Canter & Associates, for the audit period January 1, 2010 through December 31, 2010. 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 North East Ohio Network is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

August 11, 2011

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**North East Ohio Network  
Mahoning County**

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CERTIFIED PUBLIC ACCOUNTANTS

[WWW.CANTERCPA.NET](http://WWW.CANTERCPA.NET)

## INDEPENDENT AUDITORS' REPORT

North East Ohio Network  
Mahoning County  
5121 Mahoning Ave., Suite 102  
Austintown, Ohio 44515

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the major fund (General) and the remaining fund information of North East Ohio Network, (the Organization) as of and for the year ended December 31, 2010, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Organization'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 the 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North East Ohio Network, as of December 31, 2010, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011 on our consideration of the Organization's internal control over financial reporting and on 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 important for assessing the results of our audit.

The management's discussion and analysis on pages 5 through 9, is not a required part of the basic financial statements but is 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.

Our audit was conducted for the purpose of forming opinions on financial statements that collectively comprise North East Ohio Network's basic financial statements. The schedule of revenues, expenditures, and changes in fund balance-budget and actual and the schedule of funds administered for county boards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Canter & Associates

Poland, Ohio

June 28, 2011



**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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The discussion and analysis of North East Ohio Network (the Organization) financial performance provides an overall review of the Organization's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the Organization's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Organization's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2010 are as follows:

*Overall:*

- The assets of the Organization exceeded its liabilities at the close of the year ended December 31, 2010, by \$1,371,009 (net assets).
- At the end of the current fiscal year, the Organization's general fund reported an ending fund balance of \$1,294,998, all of which is available to fund future operations.
- The Organization's total net assets decreased by \$177,050 which represents an 11.4% decrease from 2009.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand North East Ohio Network as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Organization, presenting both an aggregate view of the Organization's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the Organization's most significant fund which in the case of North East Ohio Network is the general fund.

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

The view of the Organization as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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These two statements report the Organization's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Organization as a whole, the *financial position* of the Organization has improved or diminished.

### **Reporting the Organization's Most Significant Funds**

#### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The Organization, like other state and local government entities, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The funds of the Organization can be divided into two categories: governmental funds and fiduciary funds. Fund financial reports provide detailed information about the Organization's major fund which is the general fund which encompasses all of the Organization's non-fiduciary activities.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is different than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The statements provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Organization's own expenses. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Basic Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the basis financial statements begin on page 17 of this report.

**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Organization, assets exceeded liabilities by \$1,371,009 at December 31, 2010 and by \$1,548,059 at December 31, 2009.

Table 1 provides a summary of the Organization's net assets for 2010 and 2009.

	2010 Governmental Activities	2009 Governmental Activities	Increase (Decrease)
<b>Assets:</b>			
Cash and Investments	\$1,255,511	\$1,404,242	(\$148,731)
Other Assets	134,377	138,694	(4,317)
Capital Assets, net of accumulated dep.	59,243	52,013	7,230
<i>Total Assets</i>	<u>1,449,131</u>	<u>1,594,949</u>	<u>(145,818)</u>
<b>Liabilities:</b>			
Current Liabilities	78,122	46,890	31,232
<i>Total Liabilities</i>	<u>78,122</u>	<u>46,890</u>	<u>31,232</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Debt	59,243	52,013	7,230
Unrestricted	1,311,766	1,496,046	(184,280)
<i>Total Net Assets</i>	<u><u>\$1,371,009</u></u>	<u><u>\$1,548,059</u></u>	<u><u>(\$177,050)</u></u>

**Table 1**

Total assets decreased by \$145,818. The decrease can be attributed to an overall decrease in cash and cash equivalents, resulting from a decrease in intergovernmental revenue from the State of Ohio and a decrease in investment earnings.

Total liabilities increased by \$31,232. This increase was due mostly to increases in accrued wages, deferred revenue, and estimated insurance claims from 2009.

By comparing assets and liabilities, one can see the overall position of the Organization has declined as evidenced by the decrease in net assets of \$177,050.

**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

Table 2 below provides a summary of the changes in net assets for 2010 and 2009.

**Table 2**  
Change in Net Assets  
Governmental Activities

	2010	2009	Increase (Decrease)
<b>Revenues</b>			
<i><b>General Revenues</b></i>			
Revenue	\$1,920,400	\$1,881,780	\$38,620
<i>Total Revenues</i>	1,920,400	1,881,780	38,620
<i><b>Program Expenses</b></i>			
Health	2,097,450	1,967,302	130,148
<i>Total Program Expenses</i>	2,097,450	1,967,302	130,148
<i>Increase (decrease) in Net Assets</i>	(177,050)	(85,522)	(91,528)
Net Assets Beginning of Year	1,548,059	1,633,581	(85,522)
<i>Net Assets End of Year</i>	\$1,371,009	\$1,548,059	(\$177,050)

Wages and related benefits and taxes accounted for 79% of total expenses in 2010 and 78% in 2009.

Revenues from waiver administration and major unusual incident fees account for 55% of total revenues in 2010 and 64% in 2009.

***Financial Analysis of the Organization's Funds***

As noted earlier, the Organization uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The general fund is the chief operating fund of the Organization. At December 31, 2010, the unreserved fund balance of the general fund was \$1,294,998. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. At December 31, 2010, unreserved fund balance represents approximately 61% of the total fund expenditures.

The fund balance of the Organization's general fund decreased by \$162,037 during the current year. Revenues were up \$115,614 while expenditures were up \$142,526. The increase in revenues is related to increased participation in the level one waiver administration and quality assurance programs. The increase in expenses is due to increased wages and employee benefits.

***General Fund Budgeting Highlights***

The Organization's budget is prepared at the request of the Board and is based on accounting for certain transactions on the cash basis. The only budgeted fund is the General Fund.

**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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***Capital Assets and Debt Administration***

Capital Assets: The Organization's investment in capital assets for its governmental activities as of December 31, 2010, amounts to \$59,243 (net of accumulated depreciation). This investment in capital assets includes software, furniture and equipment. Note 5 provides capital asset activity during 2010.

***Current Issues***

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. North East Ohio Network has been organized to provide services on a cost efficient basis to the member county boards of DD.

***Contacting North East Ohio Network's Financial Management***

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Organization's finances and to reflect the Organization's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mr. Valdeoso Patterson, Business Manager, North East Ohio Network, 5121 Mahoning Avenue, Suite 102, Austintown, Ohio 44515-1895.

**North East Ohio Network**

Mahoning County, Ohio

*Statement of Net Assets*  
*December 31, 2010*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$199,140
Investments	1,056,371
Deposits and Prepaid Expenses	5,310
Cash with Fiscal Agent	23,672
Interest Receivable	7,067
Accounts Receivable from other Governments	98,328
Capital Assets, Net of Accumulated Depreciation	59,243
<i>Total Assets</i>	<u>1,449,131</u>
<b>Liabilities</b>	
Accounts Payable	36,192
Estimated Insurance Claims Payable	17,691
Accrued Wages and Benefits	24,239
<i>Total Liabilities</i>	<u>78,122</u>
<b>Net Assets</b>	
Invested in Capital Assets, net of related debt	59,243
Unrestricted	1,311,766
<i>Total Net Assets</i>	<u>\$1,371,009</u>

See accompanying notes to the basic financial statements.

**North East Ohio Network**

Mahoning County, Ohio

*Statement of Activities  
For the Year Ended December 31, 2010*

	Expenses	Net (Expense) Revenue and Changes in Net Assets
<b>Governmental Activities</b>		<b>Governmental Activities</b>
Current Health:		
Wages	\$1,215,751	(\$1,215,751)
Employee Benefits	414,964	(414,964)
Payroll Taxes	24,357	(24,357)
Professional Fees	74,507	(74,507)
Office Expense	42,297	(42,297)
Rent	105,600	(105,600)
Software	28,315	(28,315)
Telephone	22,203	(22,203)
Postage	15,901	(15,901)
Travel and Meals	90,539	(90,539)
Seminars and Training	7,969	(7,969)
Depreciation	21,483	(21,483)
Miscellaneous	33,564	(33,564)
<i>Total Governmental Activities</i>	<i>\$2,097,450</i>	<i>(2,097,450)</i>
<b>General Revenues</b>		
		644,654
Waiver Administration		101,644
Family Support Services		419,302
Major Unusual Incidents		228,200
Level One		306,562
Quality Assurance		76,615
Provider Training		37,341
Investment Earnings		106,082
Other		
<i>Total General Revenues</i>		<i>1,920,400</i>
Change in Net Assets		(177,050)
<i>Net Assets Beginning of Year</i>		1,548,059
<i>Net Assets End of Year</i>		<i>\$1,371,009</i>

See accompanying notes to the basic financial statements.

**North East Ohio Network**

Mahoning County, Ohio

*Balance Sheet  
Governmental Funds  
December 31, 2010*

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	<u>General</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$199,140
Investments	1,056,371
Deposits and Prepaid Expenses	5,310
Cash with Fiscal Agent	23,672
Accounts Receivable	98,328
Accrued Interest Receivable	7,067
<i>Total Assets</i>	<u><u>\$1,389,888</u></u>
<b>Liabilities</b>	
Accounts Payable	\$36,192
Estimated Insurance Claims Payable	\$17,691
Accrued Wages and Benefits Payable	24,239
Deferred Revenue	16,768
<i>Total Liabilities</i>	<u><u>94,890</u></u>
<b>Fund Balances</b>	
Undesignated, Reported in:	
General Fund	1,294,998
<i>Total Fund Balances</i>	<u><u>1,294,998</u></u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$1,389,888</u></u>

See accompanying notes to the basic financial statements.



**North East Ohio Network**

Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
December 31, 2010*

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<b>Total Governmental Fund Balances</b>	\$1,294,998
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	59,243
Accounts receivable not available to pay for current period expenditures are deferred in the fund.	<u>16,768</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$1,371,009</u></u>
See accompanying notes to the basic financial statements	

# North East Ohio Network

Mahoning County, Ohio

*Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2010*

	<u>General</u>
<b>Revenues</b>	
Waiver Administration	\$644,654
Family Support Services Administration Fee	102,244
Major Unusual Incidents Fee	438,206
Level One	228,200
Quality Assurance	316,102
Provider Training	69,814
Investment Earnings	37,341
Other	108,071
<i>Total Revenues</i>	<u>1,944,632</u>
<b>Expenditures</b>	
Current:	
Wages	1,215,751
Employee Benefits	414,964
Payroll Taxes	24,357
Professional Fees	74,507
Office Expense	42,297
Rent	105,600
Software	28,315
Telephone	22,203
Postage	15,901
Travel and Meals	90,539
Seminars and Training	7,969
Miscellaneous	33,564
Capital Outlay	30,702
<i>Total Expenditures</i>	<u>2,106,669</u>
<i>Net Change in Fund Balances</i>	(162,037)
<i>Fund Balances Beginning of Year</i>	1,457,035
<i>Fund Balances End of Year</i>	<u>\$1,294,998</u>

See accompanying notes to the basic financial statements

**North East Ohio Network**

Mahoning County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2010*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>		(\$162,037)
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Outlay	30,702	
Current Year Depreciation	<u>(21,483)</u>	
Total		9,219
The net effect of various transactions involving capital assets (i.e.; disposals, sales and donations) is a reduction in net assets.		
Assets Disposed	(18,184)	
Loss on Asset Recognition	(1,338)	
Accumulated Depreciation on Disposals	<u>16,195</u>	
Total		(3,327)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Total		<u>(20,905)</u>
<i>Change in Net Assets of Governmental Activities</i>		<u><u>(\$177,050)</u></u>

See accompanying notes to the basic financial statements

**North East Ohio Network**

Mahoning County, Ohio

*Statement of Fiduciary Net Assets*

*Agency Funds*

*December 31, 2010*

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	<u>Agency</u>
<b>Assets</b>	
Cash and Investments	<u>\$57,863,329</u>
Receivables:	
Interest	<u>188,646</u>
Total Assets	<u><u>\$58,051,975</u></u>
<b>Liabilities</b>	
Due to Other Governments	<u><u>\$58,051,975</u></u>

See accompanying notes to the basic financial statements

**North East Ohio Network  
Mahoning County, Ohio**

*Notes to the Basic Financial Statements  
December 31, 2010*

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**Note 1- Description of the Entity**

North East Ohio Network (the Organization) is a regional council of governments formed pursuant to Chapter 167 of the Ohio Revised Code by member county boards of mental retardation and development disabilities. The member counties are Ashland, Ashtabula, Columbiana, Cuyahoga, Geauga, Lake, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull and Wayne. The purpose of the Organization is to better serve and benefit persons with disabilities in each member county by coordinating the powers and duties of the member boards. Substantially all revenues are received from the member boards or from the State of Ohio on their behalf.

**Note 2- Summary of Significant Accounting Policies**

The financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Organization also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Organization's accounting policies are described below.

**A. Fund Accounting**

The accounts of the Organization are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

**Governmental Funds:** Governmental funds are used to account for the Organization's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). The Organization considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

**General Fund:** This fund is the Organization's primary operating fund. It accounts for all financial resources of the Organization, except those required to be accounted for in another fund.

**Fiduciary funds:** The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds are used to account for assets that the Organization holds for its member county boards.

**B. Basis of Presentation and Measurement Focus**

For financial statement reporting purposes the Organization is considered a single purpose governmental entity. The Organization's basic financial statements consist of fund financial statements presented with adjustments reconciling to government-wide financial statements.

**North East Ohio Network  
Mahoning County, Ohio**

*Notes to the Basic Financial Statements  
December 31, 2010*

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***Government-wide Financial Statements*** - The Statement of Net Assets and the Statement of Activities display information about the Organization as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each program of the Organization's governmental activities. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

***Fund Financial Statements*** - Fund financial statements report detailed information about the Organization. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Agency funds do not report a measurement focus as they do not report operations.

***Deferred Revenue:*** Deferred revenue represents revenue earned but not available at year end. On the accrual basis of accounting, expenses are recognized at the time they are incurred.

***Expenditure Recognition:*** The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Allocations of costs such as depreciation and amortization are not recognized in the governmental funds.

***Cash and Cash Equivalents:*** The Organization's cash and cash equivalents are considered to be cash on hand, demand deposits, money market funds and short-term investments with original maturities of three months or less from the date of acquisition.

***Investments:*** Investments, primarily certificates of deposit, government securities, preferred stock, and corporate bonds, are stated at fair value.

***Capital Assets:*** Capital assets include furniture, fixtures, and equipment owned by the Organization. These assets are reported in the government-wide financial statements. The Organization defines capital assets as assets with an initial, individual cost of \$2,000 or more. Capital assets are stated on the basis of historical cost, or, if contributed, at fair market value on the dates received.

**North East Ohio Network  
Mahoning County, Ohio**

*Notes to the Basic Financial Statements  
December 31, 2010*

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Major outlays for capital assets and improvements are capitalized as the projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Depreciation is computed using the straight-line method over the useful lives of 5 to 7 years.

**Prepaid Expenses:** Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid expenses.

**Budgetary Information:** Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. The budget is prepared by the Executive Director, Finance Director, and the Program Director and approved by the Board of North East Ohio Network. As this is not required by State statute, the budget is not considered to be legally adopted. Budget amounts may be amended periodically by the Board.

**State Cost Report Recovery or Repayment:** Revenue from the State of Ohio for certain services provided by the Organization is based on tentative payment rates. Initial reimbursement or repayment is determined by the State after submission of annual cost reports. This initial determination is then subject to audit by the State. Revenue and expense is adjusted as required in subsequent periods based on final settlements. Settlements for calendar years through 2004 have been received or repaid. Although cost reports have been filed for 2010, 2009, and 2008, no determination has been made by the State of Ohio as to reimbursement or repayment.

**Net assets:** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Organization or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

The Organization applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Note 4- Cash and Investments**

In accordance with Ohio Revised Code Section 167.04, the Organization invests in those instruments authorized by its written investment policy filed with the Auditor of the State which include (1) Bonds, notes, or other obligations guaranteed by the United States; (2) Bonds, notes, or other obligations issued by any Federal government agency; (3) Repurchase agreements under the terms of which agreement the Organization purchases and the seller agrees unconditionally to repurchase any of the securities listed in (1) or (2); (4) Bonds and other obligations of the State of Ohio; (5) No load money market mutual funds and (6) Investment grade corporate or commercial paper including preferred stock (up to a maximum of 25% of total investment assets).

**North East Ohio Network  
Mahoning County, Ohio**

*Notes to the Basic Financial Statements  
December 31, 2010*

Cash and investments as of December 31, 2010 are classified in the accompanying financial statements as follows:

Statement of Net Assets and Governmental Fund Balance Sheet

Cash and Cash Equivalents	\$ 199,140
Investments	1,056,371
Statement of Fiduciary Assets and Liabilities- Agency	<u>57,863,329</u>
Total Cash and Investments	<u><u>\$ 59,118,840</u></u>

Cash and investments as of December 31, 2010 consisted of the following:

Merrill Lynch CMA Money Fund (WCMA Stmt.)	\$ 9,781,079
Merrill Lynch Institutional Funds	24,307,025
Investments	<u>25,030,736</u>
Total Cash and Investments	<u><u>\$ 59,118,840</u></u>

**Deposits:** At December 31, 2010, the book amount of the Organization's deposits in the WCMA account was \$9,781,079, and the cash balance per the WCMA statement was \$9,993,795.

All deposits and investments are held in Merrill Lynch accounts as an investment advisor in the name of the Organization or jointly in the name of the Organization and the individual county. All amounts held by Merrill Lynch are covered by Federal Deposit Insurance, Securities Investor Protection Corporation (SIPC) insurance, Excess SIPC coverage provided by surety bond, or financial guaranty insurance.

**Investments:**

As of December 31, 2010, the Organization had the following investments and maturities:

Investment Type	Total Fair Value	Less than 1 year	1-5 years	6-10 years	More than 10 years
United States Treasury Notes	\$ 5,028,840	\$ -	\$ 5,028,840	\$ -	\$ -
United States Agencies	\$ 11,725,262	\$ -	\$ 11,725,262	\$ -	\$ -
Corporate Bonds and Notes	\$ 8,276,634	\$ 8,276,634	\$ -	\$ -	\$ -
Total	<u><u>\$ 25,030,736</u></u>	<u><u>\$ 8,276,634</u></u>	<u><u>\$ 16,754,102</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



**North East Ohio Network  
Mahoning County, Ohio**

*Notes to the Basic Financial Statements  
December 31, 2010*

**Interest Rate Risk:** It is the Organization's investment policy to limit investment maturities to five years. The Organization also limits the investment in corporate or commercial paper, including preferred stock, up to a maximum limit of 25% of the total investment assets.

**Credit Rate Risk:** The Merrill Lynch Institutional Fund is a money market fund with a rating of AAA from Standard & Poor's.

The following summarizes credit ratings for the Organization's investments in U.S. agencies not explicitly guaranteed by the U.S. government and investments in corporate bonds, notes and preferred stock:

<u>U.S. Agencies</u>	<u>Rating</u>	<u>Amount</u>
Federal Home Loan Mtg. Corporation	AAA	\$ 2,455,518
Federal Home Loan Bank	AAA	5,524,809
Federal National Mortgage Association	AAA	3,744,935
		<u>\$ 11,725,262</u>
 Corporate Bonds and Notes	 AAA	 <u>\$ 8,276,634</u>

**Concentration of Credit Risk:** The Organization places no limit on the amount the Organization may invest in any one issuer. More than 5% of the Organization's cash and investments are invested in Federal Home Loan Bank, Federal National Mortgage Association and Corporate Bonds and Notes investments. These investments are 9.34%, 6.33%, and 13.99%, respectively, of the Organization's total cash and investments at December 31, 2010. In addition, Merrill Lynch Institutional Fund is 52.88% of cash and investments at December 31, 2010.

**Note 5 - Capital Assets**

Capital asset activity for the year ended December 31, 2010 was as follows:

*Governmental Activities: Capital assets being depreciated:*

	Beginning Balance 1/1/10	Additions	Deletions	Ending Balance 12/31/09
Furniture & Fixtures	\$4,012	0		\$4,012
Office Equip.	104,113	30,702	18,185	116,630
	<u>108,125</u>	<u>30,702</u>	<u>18,185</u>	<u>120,642</u>

*Less Accumulated Depreciation for:*

A/D F&F	3,623	0		3,623
A/D Office Equip	52,489	21,483	16,196	57,776
Total Depreciation	<u>\$56,112</u>	<u>\$21,483</u>	<u>\$16,196</u>	<u>\$61,399</u>

*Governmental Activities  
Capital Assets, Net*

\$ 59,243

Depreciation expense charged to governmental activities totaled \$21,483 for 2010.

**North East Ohio Network  
Mahoning County, Ohio**

*Notes to the Basic Financial Statements  
December 31, 2010*

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**Note 6 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The Organization participated in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

***Funding Policy:*** The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2010, members in state and local classifications contributed 10.0 percent of covered payroll.

The Organization's contribution rate for 2010 was 14.0 percent of covered payroll, of which 5.5 percent was used to fund health care coverage for retirees from January 1 through February 28, 2010 and 5.0 percent from March 1 through December 31, 2010. The employer contribution rate is determined actuarially. State statute sets a maximum contribution rate for the Organization at 14.0 percent.

The Organization's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009 and 2008 were \$101,283, \$79,305 and \$72,752, respectively. 84 percent has been contributed for 2010, and one hundred percent has been contributed for 2009 and 2008. There were no contributions made to the member directed plan for 2010.

**Note 7 - Other Post-Employment Benefits**

Plan Description – OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

**North East Ohio Network  
Mahoning County, Ohio**

*Notes to the Basic Financial Statements  
December 31, 2010*

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The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**Funding Policy:** The Ohio revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' post employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2010, the employer contribution allocated to the health care plan was 5.5 percent from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010 of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Organization's contribution allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009 and 2008 were \$73,551, \$72,375 and \$72,752 respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**Note 8- Risk Management**

The Organization is exposed to various risks of loss related to torts and general liability; theft of, damage to, and destruction of assets, natural disasters; errors and omissions; and injuries to employees. The Organization maintains insurance to cover these risks. There has been no significant reduction in insurance coverage from the prior years. There have been no claims or settlements since the inception of the Organization.

Effective January 1, 2009, the Organization became self-insured for their vision and dental insurance coverage. The medical coverage is eligible for reimbursement up to 100% of the deductible which is \$2,000 for single and \$6,000 for family, if a network provider is utilized. The health coverage is managed through a third party administrator which processes all claims. The Organization funds annually what the third party administrator determines. The activity is accounted for through the general fund. The program administrator held prefunded cash deposits of \$23,672 at December 31, 2010, which the Organization reports as cash with fiscal agent. A liability of \$17,691 was established based on reserves for outstanding claims at December 31, 2010, as reported by the program administrator.

**North East Ohio Network  
Mahoning County, Ohio**

*Notes to the Basic Financial Statements  
December 31, 2010*

The following schedule represents the changes in claims liability for the past fiscal year for the Organizations self-insurance program:

Fiscal Year	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2010	\$ 13,248	\$ 88,524	\$ (84,081)	\$ 17,691

**Note 9- Commitments**

**Leases:** The Organization rents office space under an operating lease expiring in 2012. Rent expense for 2010 was \$105,600.

Minimum annual rentals are as follows:

2011	105,600
2012	17,600
Total	\$ 123,200

**North East Ohio Network**  
Mahoning County, Ohio

*Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2010*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Waiver Administration	\$814,254	\$814,254	\$644,146	(\$170,108)
Family Support Services Admin. Fee	75,000	75,000	99,951	24,951
Major Unusual Incidents Fee	379,000	379,000	408,399	29,399
Provider Compliance	81,000	81,000	228,200	147,200
Quality Assurance	331,888	331,888	303,159	(28,729)
Provider Training	52,752	52,752	64,907	12,155
Financial Services/Investment Earnings	146,680	146,680	47,378	(99,302)
Other	61,500	61,500	186,144	124,644
<i>Total Revenues</i>	<u>1,942,074</u>	<u>1,942,074</u>	<u>1,982,284</u>	<u>40,210</u>
<b>Expenditures</b>				
Current Health:				
Wages	1,163,544	1,163,544	1,203,706	(40,162)
Employee Benefits	405,705	405,705	455,972	(50,267)
Payroll Taxes	25,871	25,871	24,057	1,814
Professional Fees	49,720	49,720	67,989	(18,269)
Office Expense	15,000	15,000	22,468	(7,468)
Rent	128,000	128,000	123,400	4,600
Software	35,000	35,000	28,315	6,685
Telephone	25,000	25,000	22,203	2,797
Postage	15,000	15,000	15,901	(901)
Travel and Meals	61,000	61,000	90,539	(29,539)
Seminars and Training	10,000	10,000	7,969	2,031
Miscellaneous	5,000	5,000	25,338	(20,338)
Capital Outlay	27,000	27,000	30,702	(3,702)
<i>Total Expenditures</i>	<u>1,965,840</u>	<u>1,965,840</u>	<u>2,118,559</u>	<u>(152,719)</u>
<i>Net Change in Fund Balance</i>	(23,766)	(23,766)	(136,275)	(112,509)
<i>Fund Balance Beginning of Year</i>	1,095,171	1,095,171	1,095,171	0
<i>Fund Balance End of Year</i>	<u>\$1,071,405</u>	<u>\$1,071,405</u>	<u>\$958,896</u>	<u>(\$112,509)</u>

North East Ohio Network  
Schedule of Funds Administered for County Boards  
Year Ended December 31, 2010

	Ashtabula	Columbiana	Cuyahoga	Geauga	Lake	Lorain	Mahoning	Medina	Portage	Richland	Stark	Summit	Wayne	Total
Cash and investment balance- Cost-- January 1, 2010	\$ 1,430,388	\$ 2,931,978	\$ 3,102,509	\$ 742,533	\$ 8,159,785	\$ 4,644,658	\$ 4,378,784	\$ 1,854,443	\$ 7,679,407	\$ 6,915,969	\$ 911,042	\$ 3,020,444	\$ 1,077,688	\$ 46,849,628
Funds Received	960,902	2,043,299	28,481,471	1,896,513	3,780,252	1,667,335	6,776,189	749,000	3,678,332	1,908,504	13,967,306	15,063,172	805,303	81,777,578
Investment Earnings	21,410	89,645	162,257	1,839	179,255	134,042	48,337	43,661	135,057	162,208	35,449	6,035	1,094	1,020,289
Program Expenses	(848,486)	(1,266,256)	(21,397,628)	(1,623,727)	(2,460,894)	(477,417)	(3,003,631)	(1,573,069)	(2,813,473)	(1,206,811)	(8,059,730)	(13,260,277)	(1,214,114)	(59,205,513)
Bank Service Charges	(47,856)	(513,087)	(3,024,259)	(79,270)	(2,076,045)	(529,961)	(2,588,317)	(27,555)	(1,190,604)	(1,033,805)	(1,467,196)	(5,320)	(100,127)	(12,683,402)
Cash and investment balance- Cost - December 31, 2010	1,516,358	3,285,579	7,324,350	937,888	7,582,353	5,438,657	5,611,362	1,046,480	7,488,719	6,746,065	5,386,871	4,824,054	569,844	57,758,580
Unrealized Gain	4,152	17,228	(37)	-	23,072	16,143	11,611	4,803	20,120	7,080	577	-	-	104,749
Cash and investment balance- Market-- December 31, 2010	\$ 1,520,510	\$ 3,302,807	\$ 7,324,313	\$ 937,888	\$ 7,605,425	\$ 5,454,800	\$ 5,622,973	\$ 1,051,283	\$ 7,508,839	\$ 6,753,145	\$ 5,387,448	\$ 4,824,054	\$ 569,844	\$ 57,863,329
Accrued Interest Receivable	\$ 3,839	\$ 16,094	\$ 5,100	\$ -	\$ 40,361	\$ 27,667	\$ 16,195	\$ 3,830	\$ 28,646	\$ 39,248	\$ 7,666	\$ -	\$ -	\$ 188,646



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CERTIFIED PUBLIC ACCOUNTANTS

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**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***

North East Ohio Network  
Mahoning County  
5121 Mahoning Ave., Suite 102  
Austintown, Ohio 44515

We have audited the accompanying financial statements of the governmental activities, the major fund (General) and the remaining fund information of North East Ohio Network, (the Organization) as of and for the year ended December 31, 2010, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated June 28, 2011. 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 the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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, 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 more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

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 material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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*.

North East Ohio Network  
Mahoning County  
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*  
Page 2

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



Canter & Associates

Poland, Ohio

June 28, 2011





# Dave Yost • Auditor of State

**NORTH EAST OHIO NETWORK**

**MAHONING 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  
AUGUST 23, 2011**