



**NORTH EAST OHIO NETWORK
MAHONING COUNTY**

**REGULAR AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2011**



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, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The North East Ohio 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

December 31, 2012

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**North East Ohio Network
Mahoning County**

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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, 2011, 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, 2011, 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 September 27, 2012 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.

As described in Note 10, during 2011, the North East Ohio Network adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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

September 27, 2012

North East Ohio Network
Mahoning County

Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

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, 2011. 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 2011 are as follows:

Overall:

- The assets of the Organization exceeded its liabilities at the close of the year ended December 31, 2011, by \$1,391,146 (net assets).
- At the end of the current fiscal year, the Organization's general fund reported an ending fund balance of \$1,337,778 all of which is available to fund future operations.
- The Organization's total net assets increased by \$20,137 which represents a 2% increase from 2010.

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 2011?" 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, 2011
Unaudited

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, 2011
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 \$1,391,146 at December 31, 2011 and by \$1,371,009 at December 31, 2010.

Table 1 provides a summary of the Organization's net assets for 2011 and 2010.

	2011 Governmental Activities	2010 Governmental Activities	Increase (Decrease)
Assets:			
Cash and Investments	\$1,347,876	\$1,255,511	\$92,365
Other Assets	47,644	134,377	(86,733)
Capital Assets, net of accumulated dep.	50,893	59,243	(8,350)
<i>Total Assets</i>	<u>1,446,413</u>	<u>1,449,131</u>	<u>(2,718)</u>
Liabilities:			
Current Liabilities	<u>55,267</u>	<u>78,122</u>	<u>(22,855)</u>
<i>Total Liabilities</i>	<u>55,267</u>	<u>78,122</u>	<u>(22,855)</u>
Net Assets:			
Invested in Capital Assets, Net of Debt	50,893	59,243	(8,350)
Unrestricted	<u>1,340,253</u>	<u>1,311,766</u>	<u>28,487</u>
<i>Total Net Assets</i>	<u><u>\$1,391,146</u></u>	<u><u>\$1,371,009</u></u>	<u><u>\$20,137</u></u>

Table 1

Total assets decreased by \$2,718. The decrease can be attributed to an overall decrease in receivables and other assets. The increase in cash and investments of \$92,365 helped offset the other asset decreases, resulting in an overall insignificant decrease.

Total liabilities decreased by \$22,855. This decrease was due mostly to a decrease in the estimated insurance claims payable from the prior year.

By comparing assets and liabilities, one can see the overall position of the Organization has improved as evidenced by the increase in net assets of \$20,137.

North East Ohio Network
Mahoning County

Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Table 2 below provides a summary of the changes in net assets for 2011 and 2010.

Table 2
Change in Net Assets
Governmental Activities

	2011	2010	Increase (Decrease)
Revenues			
<i>General Revenues</i>			
Revenue	\$2,126,131	\$1,920,400	\$205,731
<i>Total Revenues</i>	<u>2,126,131</u>	<u>1,920,400</u>	<u>205,731</u>
<i>Program Expenses</i>			
Health	2,105,994	2,097,450	8,544
<i>Total Program Expenses</i>	<u>2,105,994</u>	<u>2,097,450</u>	<u>8,544</u>
<i>Increase (decrease) in Net Assets</i>	20,137	(177,050)	197,187
Net Assets Beginning of Year	<u>1,371,009</u>	<u>1,548,059</u>	<u>(177,050)</u>
<i>Net Assets End of Year</i>	<u><u>\$1,391,146</u></u>	<u><u>\$1,371,009</u></u>	<u><u>\$20,137</u></u>

Wages and related benefits and taxes accounted for 78% of total expenses in 2011 and 79% in 2010.

Revenues from waiver administration and major unusual incident fees account for 40% of total revenues in 2011 and 55% in 2010.

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, 2011, the unreserved fund balance of the general fund was \$1,337,778. 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, 2011, unreserved fund balance represents approximately 64% of the total fund expenditures.

The fund balance of the Organization's general fund increased by \$42,780 during the current year. Revenues were up \$195,792 while expenditures were down \$9,025. The increase in revenue is related to increased participation in the level one waiver administration and quality assurance programs. The decrease in expenses is due to a slight decrease in 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
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Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Capital Assets and Debt Administration

Capital Assets: The Organization's investment in capital assets for its governmental activities as of December 31, 2011, amounts to \$50,893 (net of accumulated depreciation). This investment in capital assets includes software, furniture and equipment. Note 5 provides' capital asset activity during 2011.

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, 2011

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$707,149
Investments	640,727
Deposits and Prepaid Expenses	5,174
Cash with Fiscal Agent	3,163
Interest Receivable	3,645
Accounts Receivable from other Governments	35,662
Capital Assets, Net of Accumulated Depreciation	50,893
<i>Total Assets</i>	<u>1,446,413</u>
Liabilities	
Accounts Payable	29,961
Estimated Insurance Claims Payable	4,248
Accrued Wages and Benefits	21,058
<i>Total Liabilities</i>	<u>55,267</u>
Net Assets	
Invested in Capital Assets, net of related debt	50,893
Unrestricted	1,340,253
<i>Total Net Assets</i>	<u><u>\$1,391,146</u></u>

See accompanying notes to the basic financial statements.

North East Ohio Network

Mahoning County, Ohio

*Balance Sheet
Governmental Funds
December 31, 2011*

	<u>General</u>
Assets	
Cash and Cash Equivalents	\$707,149
Investments	640,727
Deposits and Prepaid Expenses	5,174
Cash with Fiscal Agent	3,163
Accounts Receivable	35,662
Accrued Interest Receivable	3,645
<i>Total Assets</i>	<u><u>\$1,395,520</u></u>
Liabilities	
Accounts Payable	\$29,961
Estimated Insurance Claims Payable	4,248
Accrued Wages and Benefits Payable	21,058
Deferred Revenue	2,475
<i>Total Liabilities</i>	<u>57,742</u>
Fund Balances	
Nonspendable	5,174
Unassigned	1,332,604
<i>Total Fund Balances</i>	<u><u>1,337,778</u></u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$1,395,520</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, 2011*

Total Governmental Fund Balances	\$1,337,778
 <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.	50,893
Accounts receivable not available to pay for current period expenditures are deferred in the fund.	<u>2,475</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$1,391,146</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, 2011*

	<u>General</u>
Revenues	
Waiver Administration	\$384,414
Family Support Services Administration Fee	356,610
Major Unusual Incidents Fee	463,640
Level One	31,400
Quality Assurance	389,851
Provider Training	102,309
Investment Earnings	22,740
Other	109,278
MAC Revenue	280,182
<i>Total Revenues</i>	<u>2,140,424</u>
Expenditures	
<i>Current:</i>	
Wages	1,207,885
Employee Benefits	414,444
Payroll Taxes	16,690
Professional Fees	98,145
Office Expense	47,342
Rent	123,400
Software	28,233
Telephone	24,673
Postage	13,692
Travel and Meals	87,405
Seminars and Training	8,475
Miscellaneous	17,000
Capital Outlay	10,260
<i>Total Expenditures</i>	<u>2,097,644</u>
<i>Net Change in Fund Balances</i>	42,780
<i>Fund Balances Beginning of Year</i>	1,294,998
<i>Fund Balances End of Year</i>	<u><u>\$1,337,778</u></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, 2011*

Net Change in Fund Balances - Total Governmental Funds	\$42,780
 <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 depreciation exceeded capital outlay in the current period.	
Capital Outlay	10,260
Current Year Depreciation	<u>(18,610)</u>
 Total	 (8,350)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	 <u>(14,293)</u>
 <i>Change in Net Assets of Governmental Activities</i>	 <u><u>\$20,137</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, 2011

	<u>Agency</u>
Assets	
Cash and Investments	<u>\$46,066,437</u>
Receivables:	
Interest	<u>128,369</u>
Total Assets	<u><u>\$46,194,806</u></u>
Liabilities	
Due to Other Governments	<u><u>\$46,194,806</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, 2011*

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 Ashtabula, Columbiana, Cuyahoga, Geauga, Lake, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit, 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, 2011*

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. Non-major 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.

Fund Balance - The Organization reports classifications of fund balance based on the extent to which the Organization is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Organization's highest level of decision-making authority, the Board of Trustees.

Assigned - amounts that are constrained by the Organization's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the Organizations's formal purchasing procedure by the Executive Director. Through the Organization's purchasing policy, the Board of Trustees has given the Executive Director the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

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

*Notes to the Basic Financial Statements
December 31, 2011*

The Organization applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted fund balance is available. The Organization considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

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.

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.

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

*Notes to the Basic Financial Statements
December 31, 2011*

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).

Cash and investments as of December 31, 2011 are classified in the accompanying financial statements as follows:

Statement of Net Assets and Governmental Fund Balance Sheet

Cash and Cash Equivalents	\$ 707,149
Investments	640,727
Statement of Fiduciary Assets and Liabilities- Agency	46,066,437
Total Cash and Investments	<u>\$ 47,414,313</u>

Cash and investments as of December 31, 2011 consisted of the following:

Merrill Lynch CMA Money Fund (WCMA Stmt.)	\$ 7,518,634
Merrill Lynch Institutional Funds	15,007,417
Investments	24,888,262
Total Cash and Investments	<u>\$ 47,414,313</u>

Deposits: At December 31, 2011, the book amount of the Organization's deposits in the WCMA account was \$7,518,634, and the cash balance per the WCMA statement was \$8,262,015.

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.

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

*Notes to the Basic Financial Statements
December 31, 2011*

Investments:

As of December 31, 2011, 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	\$ 8,903,889	\$ -	\$ 8,903,889	\$ -	\$ -
United States Agencies	\$ 9,875,669	\$ -	\$ 9,875,669	\$ -	\$ -
Corporate Bonds and Notes	\$ 6,108,704	\$ 6,108,704	\$ -	\$ -	\$ -
Total	<u>\$ 24,888,262</u>	<u>\$ 6,108,704</u>	<u>\$ 18,779,558</u>	<u>\$ -</u>	<u>\$ -</u>

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	\$ 3,667,596
Federal Home Loan Bank	AAA	1,684,107
Federal National Mortgage Association	AAA	4,523,966
		<u>\$ 9,875,669</u>
US Treasury Notes	AAA	\$ 8,903,889
Corporate Bonds and Notes	AAA	<u>\$ 6,108,704</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 US Treasury Notes, Federal National Mortgage Association, Federal Home Loan, and Corporate Bonds and Notes investments. These investments are 22.31%, 11.34%, 9.19% and 15.31%, respectively; of the Organization's total cash and investments at December 31, 2011. In addition, Merrill Lynch Institutional Fund is 60.30% of cash and investments at December 31, 2011.

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

*Notes to the Basic Financial Statements
December 31, 2011*

Note 5 - Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

Governmental Activities: Capital assets being depreciated:

	Beginning Balance 1/1/11	Additions	Deletions	Ending Balance 12/31/11
Furniture & Fixtures	\$4,012	0		\$4,012
Office Equip.	116,630	10,260	0	126,890
	<u>120,642</u>	<u>10,260</u>	<u>0</u>	<u>130,902</u>
<i>Less Accumulated Depreciation for:</i>				
A/D F&F	3,623	72		3,695
A/D Office Equip	57,776	18,538	0	76,314
Total Depreciation	<u>\$61,399</u>	<u>\$18,610</u>	<u>\$0</u>	<u>\$80,009</u>

*Governmental Activities
Capital Assets, Net*

\$ 50,893

Depreciation expense charged to governmental activities totaled \$18,610 for 2011.

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 issue 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, 2011, members in state and local classifications contributed 10.0 percent of covered payroll.

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

*Notes to the Basic Financial Statements
December 31, 2011*

The Organization's contribution rate for 2011 was 14.0 percent of covered payroll, of which 4.0 percent was used to fund health care coverage for retirees for calendar year 2011. 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, 2011, 2010 and 2009 were \$115,784, \$101,283 and \$79,305, respectively. 87 percent has been contributed for 2011, and one hundred percent has been contributed for 2010 and 2009. There were no contributions made to the member directed plan for 2011.

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.

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 2011, 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 2011, the employer contribution allocated to the health care plan was 4.0 percent for calendar year 2011 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, 2011, 2010 and 2009 were \$46,311, \$73,551 and \$72,375 respectively.

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

*Notes to the Basic Financial Statements
December 31, 2011*

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 \$3,163 at December 31, 2011, which the Organization reports as cash with fiscal agent. A liability of \$4,248 was established based on reserves for outstanding claims at December 31, 2011, as reported by the program administrator.

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
2011	\$ 17,691	\$ 67,066	\$ (80,509)	\$ 4,248

Note 9- Commitments

Leases: The Organization rents office space under an operating lease expiring in 2012. Rent expense for 2011 was \$123,400.

Minimum annual rentals are as follows:

2012	67,100
2013	59,400
2014	9,900
Total	\$ 136,400

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

*Notes to the Basic Financial Statements
December 31, 2011*

Note 10 – Change in Accounting Principle

For fiscal year 2011, the Organization has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement had no effect on the Organization’s financial statements.

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, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Waiver Administration	\$470,750	\$470,750	\$384,414	(\$86,336)
Family Support Services Admin. Fee	248,000	\$248,000	363,613	\$115,613
Major Unusual Incidents Fee	392,000	\$392,000	480,645	\$88,645
Provider Compliance	92,000	\$92,000	90,135	(\$1,865)
Quality Assurance	169,356	\$169,356	411,052	\$241,696
Provider Training	48,780	\$48,780	57,757	\$8,977
Financial Services/Investment Earnings	152,001	\$152,001	30,678	(\$121,323)
Other	247,223	\$247,223	403,084	\$155,861
<i>Total Revenues</i>	<u>1,820,110</u>	<u>1,820,110</u>	<u>2,221,378</u>	<u>401,268</u>
Expenditures				
Current:				
Wages	1,083,239	1,083,239	1,211,066	(127,827)
Employee Benefits	405,917	405,917	435,197	(29,280)
Payroll Taxes	15,707	15,707	16,690	(983)
Professional Fees	53,000	53,000	96,623	(43,623)
Office Expense	19,280	19,280	25,838	(6,558)
Rent	127,000	127,000	123,675	3,325
Software	21,000	21,000	28,233	(7,233)
Telephone	23,000	23,000	24,673	(1,673)
Postage	14,000	14,000	13,692	308
Travel and Meals	75,000	75,000	87,405	(12,405)
Seminars and Training	8,000	8,000	8,475	(475)
Miscellaneous	5,000	5,000	10,224	(5,224)
Capital Outlay	23,000	23,000	10,260	12,740
				0
<i>Total Expenditures</i>	<u>1,873,143</u>	<u>1,873,143</u>	<u>2,092,051</u>	<u>(218,908)</u>
<i>Net Change in Fund Balance</i>	(53,033)	(53,033)	129,327	182,360
<i>Fund Balance Beginning of Year</i>	958,896	958,896	958,896	0
<i>Fund Balance End of Year</i>	<u>\$905,863</u>	<u>\$905,863</u>	<u>\$1,088,223</u>	<u>\$182,360</u>

North East Ohio Network
Schedule of Funds Administered for County Boards
Year Ended December 31, 2011

	Ashtabula	Columbiana	Cuyahoga	Geauga	Lake	Lorain	Mahoning	Medina	Portage	Richland	Stark	Summit	Wayne	Total
Cash and investment balance- Cost-- January 1, 2011	\$ 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
Funds Received	632,035	1,213,158	72,809,267	1,041,567	3,971,426	3,536,836	4,234,997	2,150,259	1,052,045	4,670,743	10,215,749	9,765,994	1,313,609	116,607,685
Investment Earnings	11,362	59,711	428,886	470	152,466	86,751	83,519	10,500	108,144	169,523	54,226	2,906	384	1,168,848
Program Expenses	(1,051,670)	(1,678,638)	(30,522,177)	(1,860,632)	(2,778,489)	(3,259,062)	(3,731,221)	(2,337,858)	(3,967,730)	(1,385,549)	(10,488,648)	(12,565,825)	(1,733,316)	(77,360,815)
Bank Service Charges	(50,073)	(33,086)	(42,174,802)	(80,130)	(1,105,528)	(2,344,827)	(116,181)	(32,158)	(1,109,202)	(3,881,996)	(1,178,087)	(6,350)	(59,110)	(52,171,530)
Cash and investment balance- Cost - December 31, 2010	1,058,012	2,846,724	7,865,524	39,163	7,822,228	3,458,355	6,082,476	837,223	3,571,976	6,318,786	3,990,111	2,020,779	91,411	46,002,768
Unrealized Gain	1,137	7,521	(21,432)	-	19,534	-	14,773	1,348	14,119	19,529	7,140	-	-	63,669
Cash and investment balance- Market-- December 31, 2011	\$ 1,059,149	\$ 2,854,245	\$ 7,844,092	\$ 39,163	\$ 7,841,762	\$ 3,458,355	\$ 6,097,249	\$ 838,571	\$ 3,586,095	\$ 6,338,315	\$ 3,997,251	\$ 2,020,779	\$ 91,411	\$ 46,066,437
Accrued Interest Receivable	\$ 719	\$ 5,716	\$ 40,221	\$ -	\$ 19,311	\$ -	\$ 13,551	\$ 1,167	\$ 13,056	\$ 24,389	\$ 10,239	\$ -	\$ -	\$ 128,369

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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, 2011, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated September 27, 2012, wherein we noted the Organization adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

September 27, 2012



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
JANUARY 15, 2013**