



Dave Yost • Auditor of State

**NORTH EAST OHIO NETWORK
MAHONING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	5
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Fiduciary Net Position – Agency Funds	16
Notes to the Basic Financial Statements	17
Schedule of Revenues, Expenditures and Changes on Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	26
Schedule of Funds Administered for County Boards	27
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	29
Schedule of Findings	31

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of North East Ohio Network, Mahoning County, Ohio (the "Organization"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of North East Ohio Network, Mahoning County, Ohio, as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Organization's basic financial statements taken as a whole.

The *budgetary comparison schedule, and Schedule of funds administered for county boards* listed in the table of contents, to supplement the basic financial statements are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2016, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 2, 2016

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North East Ohio Network
Mahoning County

Management's Discussion and Analysis
For the Year Ended December 31, 2013
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, 2013. 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 2013 are as follows:

Overall:

- The assets of the Organization exceeded its liabilities at the close of the year ended December 31, 2013, by \$1,395,540 (net position).
- At the end of the current fiscal year, the Organization's general fund reported an ending fund balance of \$1,345,975, all of which is available to fund future operations.
- The Organization's total net position decreased by \$127,421 which represents an 8 percent decrease from 2012.

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 Position* 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 Position 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 2013?" The Statement of Net Position and the Statement of Activities answers this question. These statements include *all assets, deferred outflows of resources and liabilities and deferred inflows of resources* 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, 2013
Unaudited

These two statements report the Organization's *net position* and changes in that position. This change in net position 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, 2013
Unaudited*

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Organization, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$1,395,540 at December 31, 2013 and by \$1,522,961 at December 31, 2012.

Table 1 provides a summary of the Organization's net position for 2013 and 2012.

Table 1

	2013 Governmental Activities	2012 Governmental Activities	Increase (Decrease)
Assets:			
Cash and Investments	\$1,341,008	\$1,430,635	(\$89,627)
Other Assets	58,334	72,708	(14,374)
Capital Assets, net of accumulated dep.	49,565	61,255	(11,690)
<i>Total Assets</i>	<u>1,448,907</u>	<u>1,564,598</u>	<u>(115,691)</u>
Liabilities:			
Current Liabilities	53,367	41,637	11,730
<i>Total Liabilities</i>	<u>53,367</u>	<u>41,637</u>	<u>11,730</u>
Net Position:			
Net Investment in Capital Assets	49,565	61,255	(11,690)
Unrestricted	1,345,975	1,461,706	(115,731)
<i>Total Net Position</i>	<u>\$1,395,540</u>	<u>\$1,522,961</u>	<u>(\$127,421)</u>

Total assets decreased by \$115,691. This decrease can be attributed to an overall decrease in cash, receivables and capital assets from the prior year.

Total liabilities increased by \$11,730. This increase was due mostly to an increase in payables from the prior year.

By comparing assets and liabilities, one can see the overall position of the Organization has slightly declined as evidenced by the decrease in net position of \$127,421.

North East Ohio Network
Mahoning County

Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Table 2 below provides a summary of the changes in net position for 2013 and 2012.

Table 2
Change in Net Position
Governmental Activities

	2013	2012	Increase (Decrease)
Revenues:			
<i>General Revenues</i>			
Revenue	\$2,132,412	\$2,068,464	\$63,948
<i>Total Revenues</i>	2,132,412	2,068,464	63,948
<i>Program Expenses</i>			
Health	2,259,833	1,936,649	323,184
<i>Total Program Expenses</i>	2,259,833	1,936,649	323,184
<i>Increase (Decrease) in Net Position</i>	(127,421)	131,815	(259,236)
Net Position Beginning of Year	1,522,961	1,391,146	131,815
<i>Net Position End of Year</i>	\$1,395,540	\$1,522,961	(\$127,421)

Wages and related benefits and taxes accounted for 77 percent of total expenses in 2013 and 75 percent in 2012.

Revenues from waiver administration and major unusual incident fees account for 43 percent of total revenues in 2013 and 35 percent in 2012.

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, 2013, the unassigned fund balance of the general fund was \$1,339,328. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. At December 31, 2013, unassigned fund balance represents approximately 60 percent of the total fund expenditures.

The fund balance of the Organization's general fund decreased by \$107,978 during the current year. Revenues were up \$76,979 while expenditures were also up \$301,132. The increase in revenue is related to increased participation in the level one waiver administration and quality assurance programs. The increase in expenses is due to a slight increase in wages, employee benefits, and general operating expenses.

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, 2013
Unaudited

Capital Assets and Debt Administration

Capital Assets: The Organization's investment in capital assets for its governmental activities as of December 31, 2013, amounts to \$49,565 (net of accumulated depreciation). This investment in capital assets includes software, furniture and equipment. Note 5 provides capital asset activity during 2013.

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 Position
December 31, 2013*

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$1,201,205
Investments	135,864
Deposits and Prepaid Expenses	6,647
Cash with Fiscal Agent	3,939
Accounts Receivable from other Governments	51,687
Capital Assets, Net of Accumulated Depreciation	49,565
<i>Total Assets</i>	<u>1,448,907</u>
Liabilities	
Accounts Payable	5,476
Estimated Insurance Claims Payable	5,592
Due to other Governments	14,370
Accrued Wages and Benefits	27,929
<i>Total Liabilities</i>	<u>53,367</u>
Net Position	
Net Investment in Capital Assets	49,565
Unrestricted	1,345,975
<i>Total Net Position</i>	<u><u>\$1,395,540</u></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, 2013*

	Expenses	Net (Expense) Revenue and Changes in Net Position
Governmental Activities		Governmental Activities
Current Health:		
Wages	\$1,299,947	(\$1,299,947)
Employee Benefits	439,458	(439,458)
Payroll Taxes	20,898	(20,898)
Professional Fees	97,563	(97,563)
Office Expense	46,695	(46,695)
Rent	69,605	(69,605)
Software	64,869	(64,869)
Telephone	37,749	(37,749)
Postage	13,128	(13,128)
Travel and Meals	104,044	(104,044)
Seminars and Training	13,574	(13,574)
Miscellaneous	28,467	(28,467)
Depreciation	23,836	(23,836)
<i>Total Governmental Activities</i>	\$2,259,833	(2,259,833)
General Revenues		
Waiver Administration		476,701
Family Support Services		413,161
Major Unusual Incidents		442,309
Membership Fees		53,333
Quality Assurance		195,880
Provider Training		126,298
MAC Revenue		338,022
Investment Earnings		3,191
Other		83,517
<i>Total General Revenues</i>		2,132,412
Change in Net Position		(127,421)
<i>Net Position Beginning of Year</i>		1,522,961
<i>Net Position End of Year</i>		\$1,395,540

See accompanying notes to the basic financial statements.

North East Ohio Network

Mahoning County, Ohio

*Balance Sheet
Governmental Funds
December 31, 2013*

	<u>General</u>
Assets	
Cash and Cash Equivalents	\$1,201,205
Investments	135,864
Deposits and Prepaid Expenses	6,647
Cash with Fiscal Agent	3,939
Accounts Receivable from other Governments	51,687
<i>Total Assets</i>	<u><u>\$1,399,342</u></u>
Liabilities	
Accounts Payable	\$5,476
Estimated Insurance Claims Payable	5,592
Accrued Wages and Benefits Payable	27,929
Due to Other Governments	14,370
<i>Total Liabilities</i>	<u>53,367</u>
Fund Balances	
Nonspendable	6,647
Unassigned	1,339,328
<i>Total Fund Balances</i>	<u>1,345,975</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$1,399,342</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 Position of Governmental Activities
December 31, 2013*

Total Governmental Fund Balances	\$1,345,975
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>49,565</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$1,395,540</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, 2013*

	<u>General</u>
Revenues	
Waiver Administration	\$476,701
Family Support Services Administration Fee	413,161
Major Unusual Incidents Fee	450,062
Membership Fees	53,333
Quality Assurance	195,880
Provider Training	126,298
Investment Earnings	3,191
Other	83,517
MAC Revenue	338,022
<i>Total Revenues</i>	<u>2,140,165</u>
Expenditures	
<i>Current:</i>	
Wages	1,299,947
Employee Benefits	439,458
Payroll Taxes	20,898
Professional Fees	97,563
Office Expense	34,346
Rent	69,605
Software	64,869
Telephone	37,749
Postage	13,128
Travel and Meals	104,044
Seminars and Training	13,574
Miscellaneous	28,467
Capital Outlay	24,495
<i>Total Expenditures</i>	<u>2,248,143</u>
<i>Net Change in Fund Balance</i>	(107,978)
<i>Fund Balance Beginning of Year</i>	1,453,953
<i>Fund Balance End of Year</i>	<u><u>\$1,345,975</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, 2013*

Net Change in Fund Balances - Total Governmental Funds		(\$107,978)
 <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	24,495	
Current Year Depreciation	<u>(23,836)</u>	
Total		659
 The net effect of various transactions involving capital assets (i.e.; disposals, sales and donations) is a reduction in net position.		
Assets Disposed	(91,536)	
Accumulated Depreciation on Disposals	<u>79,187</u>	
Total		(12,349)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		<u>(7,753)</u>
<i>Change in Net Position of Governmental Activities</i>		<u><u>(\$127,421)</u></u>

See accompanying notes to the basic financial statements

North East Ohio Network

Mahoning County, Ohio

Statement of Fiduciary Net Position

Agency Funds

December 31, 2013

	<u>Agency</u>
Assets	
Cash and Investments	\$29,022,463
Receivables:	
Interest	<u>7,944</u>
<i>Total Assets</i>	<u><u>\$29,030,407</u></u>
Liabilities	
Due to Other Governments	<u><u>\$29,030,407</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, 2013*

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 developmental disabilities. The member counties are Ashtabula, Columbiana, Cuyahoga, 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 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, 2013*

Government-wide Financial Statements - The Statement of Net Position 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, deferred outflows of resources, current liabilities and deferred inflows of resources, 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 Organization'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, 2013*

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.

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: Government securities 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.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Organization, there were no deferred outflows of resources to report.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Organization, there were no deferred inflows of resources to report.

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.

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

*Notes to the Basic Financial Statements
December 31, 2013*

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 2013 have been received or repaid. Although cost reports have been filed for 2013, 2012, and 2011, no determination has been made by the State of Ohio as to reimbursement or repayment.

Net Position: Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets, 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 position is 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 position are available.

Note 3 – Change in Accounting Principle

For 2013, the Organization has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”, Statement No. 65, “Items Previously Reported as Assets and Liabilities”, and Statement No. 66, “Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62”.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity, most notably, the fiscal dependency criterion. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the Organization.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the Organization’s 2012 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54 and Statement No. 62. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the Organization.

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 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 percent of total investment assets).

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

*Notes to the Basic Financial Statements
December 31, 2013*

Cash and investments as of December 31, 2013 are classified in the accompanying financial statements as follows:

Statement of Net Position and Governmental Fund Balance Sheet

Cash and Cash Equivalents	\$	1,201,205
Investments		135,864
Statement of Fiduciary Net Position - Agency Funds		29,022,463
Total Cash and Investments	\$	30,359,532

Cash and investments as of December 31, 2013 consisted of the following:

PNC Business Checking	\$	16,530,062
PNC Money Market Funds		11,216,699
Investments		2,612,771
Total Cash and Investments	\$	30,359,532

Deposits: At December 31, 2013, the book amount of the Organization's deposits in the PNC accounts was \$27,746,761, and the cash balance per the PNC statements was \$27,858,632.

All deposits and investments are held in PNC 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 PNC 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, 2013, the Organization had the following investments and maturities:

Investment Type	Total Fair Value	Less than 1 year	1-5 years
United States Treasury Notes	\$ 210,680	\$ 210,680	\$ -
United States Agencies	\$ 2,402,091	\$ 186,369	\$ 2,215,722
Total	\$ 2,612,771	\$ 397,049	\$ 2,215,722

Interest Rate Risk: It is the Organization's investment policy to limit investment maturities to five years.

Credit Rate Risk: The PNC Institutional Fund is a money market fund with a rating of AAA from Moody's.

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

*Notes to the Basic Financial Statements
December 31, 2013*

The following summarizes credit ratings for the Organization's investments in U.S. agencies not explicitly guaranteed by the U.S. government:

<u>U.S. Agencies</u>	<u>Rating</u>	<u>Amount</u>
Federal Home Loan Mtg. Corporation	AAA	\$ 908,149
Federal National Mortgage Association	AAA	1,493,942
		<u>\$ 2,402,091</u>
 US Treasury Notes	 AAA	 <u>\$ 210,680</u>

Concentration of Credit Risk: The Organization places no limit on the amount the Organization may invest in any one issuer. More than 7% of the Organization's cash and investments are invested in US Treasury Notes, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. These investments are 0.69%, 4.92% and 2.99%, respectively; of the Organization's total cash and investments at December 31, 2013. In addition, PNC Money Market Funds and Business Checking Accounts are 36.95% and 54.45%, respectively, of cash and investments at December 31, 2013.

Note 5 - Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

Governmental Activities: Capital assets being depreciated:

	Beginning Balance 1/1/13	Additions	Deletions	Ending Balance 12/31/13
Furniture & Fixtures	\$4,012	0	\$0	\$4,012
Office Equip.	153,063	24,495	91,536	86,022
	<u>157,075</u>	<u>24,495</u>	<u>91,536</u>	<u>90,034</u>

Less Accumulated Depreciation for:

A/D F&F	3,767	125	0	3,892
A/D Office Equip	92,053	23,711	79,187	36,577
Total Depreciation	<u>\$95,820</u>	<u>\$23,836</u>	<u>\$79,187</u>	<u>\$40,469</u>

Governmental Activities

<i>Capital Assets, Net</i>	<u>\$ 61,255</u>	<u>\$ 659</u>	<u>\$ 12,349</u>	<u>\$ 49,565</u>
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Depreciation expense charged to governmental activities totaled \$23,836 for 2013.

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

*Notes to the Basic Financial Statements
December 31, 2013*

Note 6 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – The Organization participates 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which 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 the traditional pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to 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 statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2013 member contribution rates were 10.0 percent of covered payroll for members in state and local classifications.

The 2013 employer contribution rate for state and local employers was 14.0 percent of covered payroll.

The Organization's required contributions for pension obligations to traditional and combined plans for the years ended December 31, 2013, 2012 and 2011 were \$150,807, \$113,197 and \$115,784, respectively. The full amount has been contributed for 2012 and 2011, and 92 percent has been contributed for 2013 with the remainder being presented as "intergovernmental payable" in the statement of net position. There were no contributions to the member-directed plan for 2013.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard replaces GASB Statement No. 27, and is effective for employer fiscal years beginning after June 15, 2014. OPERS recommends employers begin a dialog with their external auditors to determine the impact this standard will have on employer financial statements.

Note 7 - Other Post-Employment Benefits

Plan Description – Ohio Public Employees Retirement System (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 and 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.

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

*Notes to the Basic Financial Statements
December 31, 2013*

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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or 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 coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code. 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 Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the traditional plan was 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the combined plan was 1.0 percent during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Organization's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$11,601, \$45,275 and \$46,311 respectively; 92 percent has been contributed for 2013 and 100 percent for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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

*Notes to the Basic Financial Statements
December 31, 2013*

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 \$3,939 at December 31, 2013, which the Organization reports as cash with fiscal agent. A liability of \$5,592 was established based on reserves for outstanding claims at December 31, 2013, as reported by the program administrator.

The following schedule represents the changes in claims liability for the past two fiscal years 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
2013	\$ 6,788	\$ 33,625	\$ (34,821)	\$ 5,592
2012	\$ 4,248	\$ 22,384	\$ (19,844)	\$ 6,788

Note 9 - Commitments

Leases: The Organization rents office space under an operating lease expiring in 2014. Rent expense for 2013 was \$59,400.

Minimum annual rentals are as follows:

2014	\$9,900
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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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Waiver Administration	\$400,000	\$400,000	\$469,927	\$69,927
Family Support Services Admin. Fee	615,000	615,000	414,457	(200,543)
Major Unusual Incidents Fee	420,000	420,000	459,944	39,944
Provider Compliance	75,000	75,000	32,245	(42,755)
Membership Fees	56,000	56,000	53,333	(2,667)
Quality Assurance	240,000	240,000	174,855	(65,145)
Provider Training	44,000	44,000	93,331	49,331
Financial Services/Investment Earnings	77,460	77,460	3,629	(73,831)
MAC	249,000	249,000	338,022	89,022
Other	50,352	50,352	83,517	33,165
<i>Total Revenues</i>	<u>2,226,812</u>	<u>2,226,812</u>	<u>2,123,260</u>	<u>(103,552)</u>
Expenditures				
Current:				
Wages	1,307,076	1,307,076	1,300,813	6,263
Employee Benefits	461,511	461,511	406,931	54,580
Payroll Taxes	21,521	21,521	20,898	623
Professional Fees	94,000	94,000	104,210	(10,210)
Office Expense	30,000	30,000	26,656	3,344
Rent	74,000	74,000	69,605	4,395
Software	44,000	44,000	64,869	(20,869)
Telephone	26,000	26,000	37,725	(11,725)
Postage	15,000	15,000	12,876	2,124
Travel and Meals	90,000	90,000	103,051	(13,051)
Seminars and Training	11,000	11,000	12,304	(1,304)
Miscellaneous	27,450	27,450	28,409	(959)
Capital Outlay	23,000	23,000	29,324	(6,324)
<i>Total Expenditures</i>	<u>2,224,558</u>	<u>2,224,558</u>	<u>2,217,671</u>	<u>6,887</u>
<i>Net Change in Fund Balance</i>	2,254	2,254	(94,411)	(96,665)
<i>Fund Balance Beginning of Year</i>	1,179,529	1,179,529	1,179,529	0
<i>Fund Balance End of Year</i>	<u>\$1,181,783</u>	<u>\$1,181,783</u>	<u>\$1,085,118</u>	<u>(\$96,665)</u>

North East Ohio Network
Schedule of Funds Administered for County Boards
Year Ended December 31, 2013

	Ashtabula	Columbiana	Cuyahoga	Lake	Lorain	Mahoning	Medina	Portage	Richland	Stark	Summit	Wayne	Total
Cash and investment balance- Cost-- January 1, 2012	\$ 932,234	\$ 2,544,209	\$ 384,415	\$ 7,471,441	\$ 728,327	\$ 4,825,431	\$ 1,307,642	\$ 852,686	\$ 4,691,843	\$ 1,244,691	\$ 3,714,603	\$ 74,791	\$ 28,772,313
Funds Received	2,103,054	1,754,224	1,707,785	3,174,613	991,927	32,628	3,027,830	186,938	549,536	6,049,376	6,725,908	10	26,303,829
Investment Earnings	-	-	-	24,279	-	-	-	-	38,203	12,784	3,486	-	78,752
Program Expenses	(1,863,611)	(2,444,757)	(1,947,480)	(3,280,762)	(1,220,022)	(528,417)	(3,254,954)	(478,898)	(1,778,630)	(3,603,127)	(5,684,070)	(28,226)	(26,112,954)
Bank Service Charges	-	(30)	(355)	(4,279)	-	-	(900)	-	(4,665)	(1,265)	(29)	(10)	(11,533)
Cash and investment balance- Cost - December 31, 2013	1,171,677	1,853,646	144,365	7,385,292	500,232	4,329,642	1,079,618	560,726	3,496,287	3,702,459	4,759,898	46,565	29,030,407
Unrealized Gain	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and investment balance- Market-- December 31, 2013	\$ 1,171,677	\$ 1,853,646	\$ 144,365	\$ 7,385,292	\$ 500,232	\$ 4,329,642	\$ 1,079,618	\$ 560,726	\$ 3,496,287	\$ 3,702,459	\$ 4,759,898	\$ 46,565	\$ 29,030,407
Accrued Interest Receivable	\$ -	\$ -	\$ -	\$ 2,663	\$ -	\$ -	\$ -	\$ -	\$ 4,106	\$ 1,175	\$ -	\$ -	\$ 7,944

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities and the aggregate remaining fund information of North East Ohio Network, Mahoning County, (the "Organization") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated February 2, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2013-001 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 2, 2016

**NORTH EAST OHIO NETWORK
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness

The Board is responsible for establishing rates and contracts for services provided to County Boards of Developmental Disabilities and the Mid-East Ohio Regional Council.

The Organization does not have a policy in place to review and amend contracts annually. Additionally, they do not have procedures in place to ensure rates billed agreed to rates being charged. As a result, the following exceptions were identified:

- Signed contracts were not available for 11 of the 13 members for 2013;
- Contracts were inconsistent and some contracts have not been updated for several years (2002 for Columbiana, 2005 for Lake and 2009 for Ashtabula and Lorain);
- Approximately 21% of the rates charged for all counties were not included in contracts and therefore not legislatively approved for services provided;
- Waiver administration fees were not consistently charged among members; and
- Quality Assessment Registered Nurse Services fees, Room and Board fees, and check fees were not charged at amounts listed in contracts.

Failure to review and update contracts could result in improper charges to members and possible misstatements in the waiver administration, family support services administration, major unusual incidence, quality assessment and training provider fees collected.

The Organization should review the current contracts on file for each member and ensure a list of services and charges for those services is included in the contract. Contracts should be reviewed, updated, and approved annually. In addition, the Organization should implement controls and procedures to compare the invoice charges to the contract on file to assure services are being billed at the proper rate.

Officials' Response

NEON recognizes that there is a need to review, update, and approve all County Board Contracts for Services annually. Additionally, service fees should be consistently charged to each County Board based on a fee schedule that is published, available for review by each County Board, and oncontracted.

In response to the material weakness, NEON's Board approved a Policy in November 2014 (Resolution Number 14-11-03) for which the Finance Committee will annually review NEONs rates for all services provided by NEON. Once the rates are reviewed and approved, a Rate Sheet will be published for the contract year and made available to each county board. All contracts will be updated annually and reflect the new rates approved by the committee.

Furthermore, a Rate Sheet was approved by the Finance Committee in December 2014 and all County Board contracts were updated for 2015 and 2016. A copy of the NEON Policy #2.03, Rate Sheets for 2014 and 2015, and all the 2014 and the 2015 contracts are on file for the State Auditor as evidence that NEON has taken the appropriate steps to address all the Material Weaknesses identified on Finding Number 2013-001.

**FINDING NUMBER 2013-001
(Continued)**

NEON has also made all its service contracts and rate sheets available to its finance staff members and the Director of Financial Services has reviewed the contracts and rate sheets with his staff. An annual contract meeting will be scheduled with the finance staff to review contracts and rate sheets and an invoice template has been created for each service. With these new controls and procedures, NEON can confidently assure that services are being billed at the appropriate rate.

NEON administered a CareStar Enterprise Software License Agreement for Transitional Developmental Disabilities Waiver (TDD Waiver) for nine County Boards and NEON. There are three elements that make up the CareStar bill.

1. Base Annual Fee of \$6,000. The total base fee was fixed for the term of the contract. The base fee for ten entities was \$6,000 paid in equal installments of \$500 per month. NEON agreed to pay the \$500 monthly and bill the counties monthly, each \$50.00.
2. Access License, 7 or more users at \$75 per month per user. The number of users in each county may have fluctuated during the term of the contract, but a master list of users was kept and NEON billed each county monthly for the total number of users in each county.
3. A consumer License fee at \$225 per month. The consumer license fee was granted to four counties giving them the extended benefits within the software. The monthly consumer fee of \$225 was divided by four counties (\$56.25 per county).

In addition to the software license, NEON administered the TDD Waiver for Summit County. Summit County paid NEON a monthly TDD Administration Fee of \$850.40 per month. In all cases, the Ohio Department of Medicaid sets a rate for Targeted Case Management at \$15.48 per 15 minute units.

Quality Assessment Registered Nurse Services fees, Room and Board fees, and check fees were increased in 2011. These increases were not reflected in certain contracts, but the increases in fees were consistently charged to each county in 2013. In order to be more consistent NEON's Board approved a Policy in November 2014 (Resolution Number 14-11-03) for which the Finance Committee will annually review NEONs rates for all services provided by NEON. Once the rates are reviewed and approved, a Rate Sheet will be published for the contract year and made available to each county board. All contracts will be updated annually and reflect the new rates approved by the committee.



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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
APRIL 12, 2016**