



**NORTH EAST OHIO NETWORK
MAHONING COUNTY**

**REGULAR AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2008**



Mary Taylor, CPA

Auditor of State

Board Members
North East Ohio Network
5121 Mahoning Ave, Suite 102
Austintown, Ohio 44515-1895

We have reviewed the *Independent Auditors' Report* of the North East Ohio Network, Mahoning County, prepared by Canter and Company, for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 26, 2009

This Page is Intentionally Left Blank.

**North East Ohio Network
Mahoning County**

Title	Page
<hr/>	
Table of Contents	2
Independent Auditors' Report.....	3
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Fiduciary Net Assets - Agency Funds	16
Notes to the Basic Financial Statements	17
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund	25
Schedule of Funds Administered for County Boards.....	26
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i>	27

This Page is Intentionally Left Blank.



4800 Belmont Avenue, Suite C
Youngstown, Ohio 44505-1072
Ph: 330.759.6761
Fax: 330.759.6764

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 North East Ohio Network, (the Organization) as of and for the year ended December 31, 2008, 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, 2008, 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 April 15, 2009 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 5 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Canter & Company

Youngstown, Ohio

April 15, 2009

North East Ohio Network
Mahoning County

Management's Discussion and Analysis
For the Year Ended December 31, 2008
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, 2008. 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 2008 are as follows:

Overall:

- The assets of the Organization exceeded its liabilities at the close of the year ended December 31, 2008, by \$1,633,581 (net assets).
- At the end of the current fiscal year, the Organization's general fund reported an ending fund balance of \$1,592,160, all of which is available to fund future operations.
- The Organization's total net assets decreased by \$132,871, which represents a 7.5% decrease from 2007.

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 2008?" 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, 2008
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, 2008
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 \$1,633,581 at December 31, 2008 and by \$1,766,452 at December 31, 2007. These net assets are unrestricted as of December 31, 2008 and 2007.

Table 1 provides a summary of the Organization's net assets for 2008 and 2007.

	2008	2007	Increase
	<u>Governmental</u>	<u>Governmental</u>	<u>Increase</u>
	<u>Activities</u>	<u>Activities</u>	<u>(Decrease)</u>
Assets:			
Cash and Investments	\$1,560,769	\$1,964,280	(\$403,511)
Other Assets	93,077	185,677	(92,600)
Capital Assets, net of accumulated dep.	40,771	45,631	(4,860)
<i>Total Assets</i>	<u>1,694,617</u>	<u>2,195,588</u>	<u>(500,971)</u>
Liabilities:			
Current Liabilities	61,036	429,136	(368,100)
<i>Total Liabilities</i>	<u>61,036</u>	<u>429,136</u>	<u>(368,100)</u>
Net Assets:			
Invested in Capital Assets, Net of Debt	40,771	45,631	(4,860)
Unrestricted	1,592,810	1,720,821	(128,011)
<i>Total Net Assets</i>	<u>\$1,633,581</u>	<u>\$1,766,452</u>	<u>(\$132,871)</u>

Table 1

Total assets decreased by \$500,971. The decrease can be attributed to an overall decrease in cash and cash equivalents, resulting from a decrease in intergovernmental revenue from the State of Ohio and a decrease in investment earnings.

Total liabilities decreased by \$368,100. This decrease was due mostly to decreases in accrued wages and deferred revenue from 2007.

By comparing assets and liabilities, one can see the overall position of the Organization has declined as evidenced by the decrease in net assets of \$132,871.

North East Ohio Network
Mahoning County

*Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited*

Table 2 below provides a summary of the changes in net assets for 2008 and 2007.

Table 2
Change in Net Assets
Governmental Activities

	2008	2007	Increase (Decrease)
Revenues			
General Revenues			
Revenue	\$1,775,028	\$1,820,575	(\$45,547)
<i>Total Revenues</i>	1,775,028	1,820,575	(45,547)
Program Expenses			
Health	1,907,899	1,751,170	156,729
<i>Total Program Expenses</i>	1,907,899	1,751,170	156,729
<i>Increase (decrease) in Net Assets</i>	(132,871)	69,405	(202,276)
Net Assets Beginning of Year	1,766,452	1,697,047	69,405
<i>Net Assets End of Year</i>	\$1,633,581	\$1,766,452	(\$132,871)

Wages and related benefits and taxes accounted for 76% of total expenses in 2008 and 2007.

Revenues from waiver administration and major unusual incident fees account for 66% of total revenues in 2008 and 64% in 2007.

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, 2008, the unreserved fund balance of the general fund was \$1,592,160. 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, 2008, unreserved fund balance represents approximately 83% of the total fund expenditures.

The fund balance of the Organization's general fund decreased by \$53,159 during the current year. Revenues were up \$85,325 while expenditures were up \$165,198. The increase in revenues is related to increased participation in the level one waiver administration and quality assurance programs. The increase in expenses is due to increased wages and employee benefits.

General Fund Budgeting Highlights

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

North East Ohio Network
Mahoning County

Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Capital Assets and Debt Administration

Capital Assets: The Organization's investment in capital assets for its governmental activities as of December 31, 2008, amounts to \$40,771 (net of accumulated depreciation). This investment in capital assets includes software, furniture and equipment. Note 4 provides capital asset activity during 2008.

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 MRDD.

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. Thomas Kuchinka, Director of Business Operations, 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, 2008

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$416,704
Investments	1,144,065
Deposits and Prepaid Expenses	4,999
Accounts Receivable from other Governments	88,078
Capital Assets, Net of Accumulated Depreciation	40,771
<i>Total Assets</i>	<u>1,694,617</u>
Liabilities	
Accounts Payable	32,181
Due to other Governments	15,359
Accrued Wages and Benefits	13,496
<i>Total Liabilities</i>	<u>61,036</u>
Net Assets	
Invested in Capital Assets, net of related debt	40,771
Unrestricted	1,592,810
<i>Total Net Assets</i>	<u>\$1,633,581</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, 2008*

	Expenses	Net (Expense) Revenue and Changes in Net Assets
		Governmental Activities
Governmental Activities		
Current Health:		
Wages	\$1,077,913	(\$1,077,913)
Employee Benefits	393,290	(393,290)
Payroll Taxes	3,387	(3,387)
Professional Fees	93,549	(93,549)
Office Expense	38,404	(38,404)
Rent	122,257	(122,257)
Software	37,317	(37,317)
Telephone	25,157	(25,157)
Postage	16,458	(16,458)
Travel and Meals	70,293	(70,293)
Seminars and Training	12,403	(12,403)
Depreciation	9,383	(9,383)
Miscellaneous	8,088	(8,088)
<i>Total Governmental Activities</i>	<u>\$1,907,899</u>	<u>(1,907,899)</u>
	General Revenues	
		859,547
		141,934
		316,905
		75,500
		236,416
		12,065
		108,675
		23,986
		<u>1,775,028</u>
		(132,871)
		1,766,452
		<u>\$1,633,581</u>

See accompanying notes to the basic financial statements.

North East Ohio Network
Mahoning County, Ohio

Balance Sheet
Governmental Funds
December 31, 2008

	<u>General</u>
Assets	
Cash and Cash Equivalents	\$416,704
Investments	1,144,065
Deposits and Prepaid Expenses	4,999
Accounts Receivable	88,078
<i>Total Assets</i>	<u><u>\$1,653,846</u></u>
Liabilities	
Accounts Payable	\$32,181
Accrued Wages and Benefits Payable	13,496
Due to Other Governments	15,359
Deferred Revenue	650
<i>Total Liabilities</i>	<u><u>61,686</u></u>
Fund Balances	
Undesignated, Reported in:	
General Fund	1,592,160
<i>Total Fund Balances</i>	<u><u>1,592,160</u></u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$1,653,846</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, 2008*

Total Governmental Fund Balances	\$1,592,160
 <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.	40,771
Accounts receivable not available to pay for current period expenditures are deferred in the fund.	<u>650</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$1,633,581</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, 2008*

	<u>General</u>
Revenues	
Waiver Administration	\$886,757
Family Support Services Administration Fee	141,824
Major Unusual Incidents Fee	344,103
Level One	75,500
Quality Assurance	256,970
Provider Training	12,065
Investment Earnings	108,675
Other	44,430
<i>Total Revenues</i>	<u>1,870,324</u>
Expenditures	
Current:	
Wages	1,077,913
Employee Benefits	393,290
Payroll Taxes	3,387
Professional Fees	93,549
Office Expense	38,404
Rent	122,257
Software	37,317
Telephone	25,157
Postage	16,458
Travel and Meals	70,293
Seminars and Training	12,403
Miscellaneous	8,088
Capital Outlay	24,967
<i>Total Expenditures</i>	<u>1,923,483</u>
<i>Net Change in Fund Balances</i>	(53,159)
<i>Fund Balances Beginning of Year</i>	1,645,319
<i>Fund Balances End of Year</i>	<u><u>\$1,592,160</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, 2008*

Net Change in Fund Balances - Total Governmental Funds (53,159)

*Amounts reported for governmental activities in the
statement of activities are different because*

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	24,967
Current Year Depreciation	<u>(9,383)</u>

Total 15,584

The net effect of various transactions involving capital assets
(i.e.; disposals, sales and donations) is a reduction in net assets.

Assets Disposed	(51,894)
Accumulated Depreciation on Disposals	<u>31,450</u>

Total (20,444)

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds.

Total (74,852)

Change in Net Assets of Governmental Activities (\$132,871)

See accompanying notes to the basic financial statements

North East Ohio Network
Mahoning County, Ohio

Statement of Fiduciary Net Assets
Agency Funds
December 31, 2008

	<u>Agency</u>
Assets	
Cash and Investments	<u>\$50,539,307</u>
Liabilities	
Due to Other Governments	<u>\$50,539,307</u>

See accompanying notes to the basic financial statements

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

*Notes to the Basic Financial Statements
December 31, 2008*

Note 1- Description of the Entity

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

Note 2- Summary of Significant Accounting Policies

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

A. Fund Accounting

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

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

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

B. Basis of Presentation

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, 2008*

Deferred Revenue: Deferred revenue represents revenue earned by 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.

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.

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, which was increased from \$1,000 during 2008. 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.

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

*Notes to the Basic Financial Statements
December 31, 2008*

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 2008, 2007, and 2006, no determination has been made by the State of Ohio as to reimbursement or repayment.

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

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

Note 3- 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, 2008 are classified in the accompanying financial statements as follows:

Statement of Net Assets and Governmental Fund Balance Sheet

Cash and Cash Equivalents	\$ 416,704
Investments	1,144,065
Statement of Fiduciary Assets and Liabilities- Agency	50,539,307
Total Cash and Investments	<u><u>\$ 52,100,076</u></u>

Cash and investments as of December 31, 2008 consisted of the following:

Merrill Lynch CMA Money Fund (WCMA Stmt.)	\$ 1,661,434
Merrill Lynch Institutional Funds	30,309,972
Investments	20,128,670
Total Cash and Investments	<u><u>\$ 52,100,076</u></u>

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

*Notes to the Basic Financial Statements
December 31, 2008*

Deposits: At December 31, 2008, the book amount of the Organization's deposits in the WCMA account was \$1,661,434, and the cash balance per the WCMA statement was \$2,118,808.

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

Investments:

As of December 31, 2008, 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	\$ 9,320,788	\$ 5,253,465	\$ 4,067,323	\$ -	\$ -
United States Agencies	\$ 10,639,331	\$ 1,635,721	\$ 9,003,610	\$ -	\$ -
Corporate Bonds and Notes	\$ 168,551	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ 20,128,670</u>	<u>\$ 6,889,186</u>	<u>\$ 13,070,933</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	\$916,795
Federal Home Loan Bank	AAA	8,294,278
Federal National Mortgage Association	AAA	1,428,258
		<u>\$10,639,331</u>
Corporate Bonds and Notes	AAA	<u>\$168,551</u>

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

*Notes to the Basic Financial Statements
December 31, 2008*

Concentration of Credit Risk: The Organization places no limit on the amount the Organization may invest in any one issuer. More than 5% of the Organization's cash and investments are invested in Federal Home Loan Bank investments. These investments are 15.92% of the Organization's total cash and investments at December 31, 2008. In addition, Merrill Lynch Institutional Fund is 58.18% of cash and investments at December 31, 2008.

Note 4 - Capital Assets

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance 1/1/08	Additions	Deletions	Ending Balance 12/31/08
Furniture & Fixtures	\$4,012		\$1,827	\$2,185
Office Equip.	79,904	24,967	50,067	54,804
	<u>83,916</u>	<u>24,967</u>	<u>51,894</u>	<u>56,989</u>
<i>Less Accumulated Depreciation for:</i>				
A/D F&F	3,478	18	1,311	2,185
A/D Office Equip	34,807	9,365	30,139	14,033
Total Depreciation	<u>\$38,285</u>	<u>\$9,383</u>	<u>\$31,450</u>	<u>\$16,218</u>

*Governmental Activities
Capital Assets, Net*

\$ 40,771

Depreciation expense charged to governmental activities totaled \$9,383 for 2008.

Note 5 – 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.

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

*Notes to the Basic Financial Statements
December 31, 2008*

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

Funding Policy: The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll.

The Organization's contribution rate for 2008 was 14.0 percent of covered payroll, of which 7.0 percent was used to fund health care coverage for retirees. 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, 2008, 2007 and 2006 were \$72,752, \$86,461 and \$81,554, respectively. 87 percent has been contributed for 2008, and one hundred percent has been contributed for 2007 and 2006. There were no contributions made to the member directed plan for 2008.

Note 6 - 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.

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

*Notes to the Basic Financial Statements
December 31, 2008*

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, 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 2008, the employer contribution allocated to the health care plan was 7.0 percent 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, 2008, 2007 and 2006 were \$72,752, \$57,501 and \$39,806 respectively.

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

Note 7- 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.

The Organization provides certain dental, vision, and supplemental health insurance benefits for full time employees. These benefits are subject to certain deductibles and maximums. The Organization is insured through Anthem and their HRA account for these benefits. There was no claim liability at December 31, 2008. Changes in the claims liability amounts for 2008 were:

Current Year Claims	\$ 5,171
Claim Payments	<u>5,171</u>
Balance at December 31st	<u><u>\$ -</u></u>

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

*Notes to the Basic Financial Statements
December 31, 2008*

Note 8- Commitments

Leases: The Organization rents office space under an operating lease expiring in 2012. Rent expense for 2008 was \$122,257.

Minimum annual rentals are as follows:

2009	105,600
2010	105,600
2011	105,600
2012	<u>17,600</u>
Total	<u><u>\$ 334,400</u></u>

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, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Waiver Administration	\$938,750	\$938,750	\$574,957	(\$363,793)
Family Support Services Admin. Fee	183,431	183,431	138,865	(44,566)
Major Unusual Incidents Fee	349,252	349,252	333,447	(15,805)
Level One	126,800	126,800	75,500	(51,300)
Quality Assurance	256,913	256,913	241,249	(15,664)
Provider Training	28,240	28,240	12,065	(16,175)
Investment Earnings	80,000	80,000	91,588	11,588
Other	13,700	13,700	54,707	41,007
<i>Total Revenues</i>	<u>1,977,086</u>	<u>1,977,086</u>	<u>1,522,378</u>	<u>(454,708)</u>
Expenditures				
Current Health:				
Wages	1,110,505	1,110,505	1,104,547	5,958
Employee Benefits	407,471	407,471	364,581	42,890
Payroll Taxes	33,931	33,931	16,071	17,860
Professional Fees	44,000	44,000	93,549	(49,549)
Office Expense	34,000	34,000	37,349	(3,349)
Rent	126,600	126,600	119,232	7,368
Software	35,000	35,000	39,994	(4,994)
Telephone	25,000	25,000	25,157	(157)
Postage	35,000	35,000	16,458	18,542
Travel and Meals	61,000	61,000	70,293	(9,293)
Seminars and Training	10,000	10,000	12,403	(2,403)
Miscellaneous	23,001	23,001	12,848	10,153
Capital Outlay	0	0	21,060	(21,060)
<i>Total Expenditures</i>	<u>1,945,508</u>	<u>1,945,508</u>	<u>1,933,542</u>	<u>11,966</u>
<i>Net Change in Fund Balance</i>	31,578	31,578	(411,164)	(442,742)
<i>Fund Balance Beginning of Year</i>	1,645,319	1,645,319	1,645,319	0
<i>Fund Balance End of Year</i>	<u>\$1,676,897</u>	<u>\$1,676,897</u>	<u>\$1,234,155</u>	<u>\$442,742</u>

North East Ohio Network
Schedule of Funds Administered for County Boards
Year Ended December 31, 2008

	Ashtabula	Columbiana	Cuyahoga	Geauga	Lake	Lorain	Mahoning	Medina	Portage	Richland	Stark	Summit	Trumbull	Wayne	Total
Cash and investment balance- Cost-- January 1, 2008	\$ 1,115,384	\$ 2,953,885	\$ 2,295,435	\$ 159,769	\$ 4,705,318	\$ 3,196,640	\$ 3,120,015	\$ 2,539,020	\$ 5,743,883	\$ -	\$ 2,175,127	\$ 3,119,750	\$ 333,170	\$ 642,042	\$ 32,099,438
Funds Received	771,286	903,698	22,100,000	1,699,966	3,958,577	2,296,257	3,281,852	2,214,257	4,057,054	7,191,896	5,559,049	10,906,115	123,663	1,046,710	66,110,380
Investment Earnings	53,668	150,998	621,682	15,833	249,751	183,166	122,852	117,696	232,399	101,262	129,961	191,069	10,767	16,454	2,197,558
Program Expenses	(592,300)	(973,960)	(19,738,589)	(1,330,162)	(3,124,432)	(1,169,481)	(3,177,831)	(1,953,735)	(3,085,287)	(342,584)	(5,373,356)	(8,472,177)	(49,375)	(1,013,585)	(50,396,855)
Bank Service Charges	(450)	(375)	(300)	(325)	(425)	(705)	(500)	(375)	(325)	(400)	(400)	(300)	(475)	(300)	(5,655)
Cash and investment balance- Cost - December 31, 2008	1,347,588	3,034,246	5,278,228	545,081	5,788,788	4,505,877	3,346,388	2,916,862	6,947,724	6,950,174	2,490,381	5,744,456	417,750	691,322	50,004,866
Unrealized Gain	11,599	60,234	-	-	99,495	95,980	-	38,920	83,477	105,187	39,172	-	-	377	534,441
Cash and investment balance- Market-- December 31, 2008	\$ 1,359,187	\$ 3,094,480	\$ 5,278,228	\$ 545,081	\$ 5,888,283	\$ 4,601,857	\$ 3,346,388	\$ 2,955,782	\$ 7,031,201	\$ 7,055,361	\$ 2,529,553	\$ 5,744,456	\$ 417,750	\$ 691,699	\$ 50,539,307



4800 Belmont Avenue, Suite C
Youngstown, Ohio 44505-1072
Ph: 330.759.6761
Fax: 330.759.6764

**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 financial statements of the North East Ohio Network (the Organization as of and for the year ended December 31, 2008, and have issued our report thereon dated April 15, 2009. 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

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

Youngstown, Ohio

April 15, 2009



Mary Taylor, CPA
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
JUNE 9, 2009**