NORTH EAST OHIO NETWORK
MAHONING COUNTY

REGULAR AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2016

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the North East Ohio Network, Mahoning County, prepared by Canter & Associates, for the audit period January 1, 2016 to December 31, 2016. Based upon this review, we have accepted this report 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.

Dave Yost

Dave Yost
Auditor of State

October 30, 2017

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North East Ohio Network
Mahoning County

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INDEPENDENT AUDITOR'S REPORT

North East Ohio Network
Mahoning County
5121 Mahoning Ave., 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 (General), and the aggregate remaining fund information of the North East Ohio Network (the Organization), Mahoning County, Austintown, Ohio as of and for the year ended December 31, 2016, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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 (General), and the aggregate remaining fund information of the North East Ohio Network, Mahoning County, Austintown, Ohio, as of December 31, 2016, 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* and Schedules of Net Pension Liabilities and Pension Contributions, listed in the table of contents, to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization'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 purposes of additional analysis and are not a required part of the 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 the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of revenues, expenditures, and changes in fund balance-budget and actual and the schedule of funds administered for county boards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2017, 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.

Canter & Assoc

CANTER & ASSOCIATES

Poland, Ohio
July 28, 2017

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, 2016. 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 2016 are as follows:

Overall:

- The assets and deferred outflows of the Organization exceeded its liabilities and deferred inflows at the close of the year ended December 31, 2016, by $130,543 (net position).

- At the end of the current fiscal year, the Organization's general fund reported an ending fund balance of $1,102,002, of which $1,093,232 is available to fund future operations.

- The Organization's total net position increased by $71,090 which represents a 120 percent increase from 2015.

- The Organization's net pension liability/asset related to GASB Statement No. 68 increased to $1,443,662 from $1,131,592. For more information on this liability see Note 6 to the basic financial statements.

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 2016?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows of resources, 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.

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 basic financial statements begin on page 16 of this report.

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 $130,543 at December 31, 2016 and by $59,453 at December 31, 2015.

Table 1 provides a summary of the Organization's net position for 2016 and 2015

	2016 Governmental Activities	2015 Governmental Activities	Increase (Decrease)
Assets:			
Cash and Investments	$1,106,258	$987,416	$118,842
Other Assets	66,626	46,151	20,475
Capital Assets, net of accumulated dep.	17,362	30,702	(13,340)
Total Assets	1,190,246	1,064,269	125,977
Deferred Outflows of Resources			
Pension:			
Traditional	553,086	201,782	$351,304
Combined	19,198	10,942	8,256
Total Deferred Outflows of Resources	572,284	212,724	359,560
Total Assets and Deferred Outflows	1,762,530	1,276,993	485,537
Liabilities:			
Current Liabilities	56,440	54,157	2,283
Long-term Liabilities:			
Net Pension Liability	1,458,104	1,140,597	317,507
Total Liabilities	1,514,544	1,194,754	319,790
Deferred Inflows of Resources			
Pension:			
Traditional	110,853	20,038	$90,815
Combined	6,590	2,748	3,842
Total Deferred Inflows of Resources	117,443	22,786	94,657
Total Liabilities and Deferred Inflows	1,631,987	1,217,540	414,447
Net Position:			
Net Investment in Capital Assets	17,362	30,702	(13,340)
Unrestricted	113,181	28,751	84,430
Total Net Position	$130,543	$59,453	$71,090

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability.* GASB No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB No. 68, the net pension liability equals the Organization's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the Organization, part of a bargained-for benefit to the employee, and should accordingly be reported by the Organization as a liability since they received the benefit of the exchange. However, the Organization is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by state statute. A change in these caps requires action of both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the Organization. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB No. 68, the Organization's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Total assets increased by $125,977. This increase can be attributed to an overall increase in cash and receivables from the prior year.

Total liabilities increased by $319,790. This increase was due mostly to an increase in pension liability due to GASB 68.

By comparing assets, deferred outflows, liabilities and deferred inflows, one can see the overall position of the Organization has improved as evidenced by the increase in net position of $71,090.

Table 2 below provides a summary of the changes in net position for 2016 and 2015.

Table 2
Change in Net Position
Governmental Activities

	2016	2015	Increase (Decrease)
Revenues			
Total Revenues	$1,886,264	$2,040,454	($154,190)
Expenditures			
Total Expenditures	1,815,174	2,039,023	(223,849)
Change in Net Position	71,090	1,431	69,659
Net Position Beginning of Year	59,453	58,022	1,431
Net Position End of Year	$130,543	$59,453	$71,090

Wages and related benefits and taxes accounted for 75 percent of total expenses in 2016, and 77 percent in 2015.

Revenues decreased 8 percent in 2016 compared to 2015.

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.

North East Ohio Network
Mahoning County, Ohio

Statement of Net Position
December 31, 2016

	Governmental Activities
Assets	
Cash and Cash Equivalents	$617,164
Investments	489,094
Deposits and Prepaid Expenses	8,769
Cash with Fiscal Agent	4,789
Accounts Receivable from other Governments	38,626
Net Pension Asset - PERS	14,442
Capital Assets, Net of Accumulated Depreciation	17,362
Total Assets	1,190,246
Deferred Outflows of Resources	
Pension:	
Traditional	553,086
Combined	19,198
Total Deferred Outflows of Resources	572,284
Total Assets and Deferred Outflows	1,762,530
Liabilities	
Current Liabilities:	
Accounts Payable	8,114
Due to other Governments	14,207
Accrued Wages and Benefits	34,119
Total Current Liabilities	56,440
Noncurrent Liabilities	
Net Pension Liability	1,458,104
Total Liabilities	1,514,544
Deferred Inflows of Resources	
Pension:	
Traditional	110,853
Combined	6,590
Total Deferred Inflows of Resources	117,443
Total Liability and Deferred Inflows	1,631,987
Net Position	
Net Investment in Capital Assets	17,362
Unrestricted	113,181
Total Net Position	$130,543

See accompanying notes to the basic financial statements

North East Ohio Network
Mahoning County, Ohio

Statement of Activities
For the Year Ended December 31, 2016

	Expenses	Net (Expenses) Revenue and Change in Net Position — Governmental Activities
Governmental Activities		
Current Health:		
Wages	$1,037,441	($1,037,441)
Employee Benefits	318,408	(318,408)
Payroll Taxes	14,452	(14,452)
Professional Fees	102,172	(102,172)
Office Expense	17,862	(17,862)
Rent	60,588	(60,588)
Utilities	8,023	(8,023)
Software	32,954	(32,954)
Telephone	32,891	(32,891)
Postage	18,337	(18,337)
Travel and Meals	63,450	(63,450)
Seminars and Training	21,674	(21,674)
Miscellaneous	50,553	(50,553)
Depreciation	13,340	(13,340)
MAC Fees	23,029	(23,029)
Total Governmental Activities	1,815,174	(1,815,174)

General Revenues	
Waiver Administration	336,995
Family Support Services	414,869
Major Unusual Incidents	205,643
Membership Fees	70,000
Quality Assurance	358,938
Provider Training	130,480
MAC Revenue	341,947
Investment Earnings	2,561
Other	24,831
Total General Revenues.	1,886,264
Change in Net Position	71,090
Net Position Beginning of Year	59,453
Net Position End of Year	$130,543

See accompanying notes to the basic financial statements

North East Ohio Network
Mahoning County, Ohio

Balance Sheet
Governmental Funds
December 31, 2016

	General
Assets	
Cash and Cash Equivalents	617,164
Investments	489,094
Deposits and Prepaid Expenses	8,769
Cash with Fiscal Agent	4,789
Accounts Receivable from other Governments	38,626
Total Assets	1,158,442
Liabilities	
Accounts Payable	8,114
Due to other Governments	14,207
Accrued Wages and Benefits	34,119
Total Liabilities	56,440
Fund Balance	
Nonspendable	8,770
Unassigned	1,093,232
Total Fund Balances	1,102,002
Total Liabilities and Fund Balances	1,158,442

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, 2016

Total Governmental Fund Balances		1,102,002
Amounts Reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		17,362
Some liabilities/assets, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
Traditional	(1,458,104)	
Combined	14,442	(1,443,662)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions:		
Traditional	553,086	
Combined	19,198	572,284
Deferred inflows of resources related to pensions:		
Traditional	(110,853)	
Combined	(6,590)	(117,443)
Net Position of Governmental Activities		130,543

See accompanying notes to the basic financial statements

North East Ohio Network
Mahoning County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended December 31, 2016

	General
General Revenues	
Waiver Administration	336,995
Family Support Services	414,869
Major Unusual Incidents	205,643
Membership Fees	70,000
Quality Assurance	358,938
Provider Compliance and Training	130,480
MAC Revenue	341,947
Finacial Services and Investment Earnings	2,561
Other	24,831
Total Revenues	1,886,264
Expenditures	
Current Health:	
Wages	1,037,441
Employee Benefits	271,235
Payroll Taxes	14,452
Professional Fees	102,172
Office Expense	17,862
Rent	60,588
Utilities	8,023
Software	32,954
Telephone	32,891
Postage	13,754
Travel and Meals	68,039
Seminars and Training	21,674
Miscellaneous	50,553
MAC Fees	23,029
Total Expenditures	1,754,667
Net Change in Fund Balance	131,597
Fund Balance Beginning of Year	970,405
Fund Balance End of Year	1,102,002

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, 2016

Net Change in Fund Balances - Total Governmental Funds			$131,597
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 depreciation exceeded capital outlay in the current period.			
Current Year Depreciation	(13,340)		
Total			(13,340)
Governmental funds report pension contributions as expenditures However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense			
Direct pension contributions			
Traditional	124,493		
Combined	12,961		
Total		$	137,454
Cost of benefits earned net of employee contributions			
Traditional	(178,603)		
Combined	(6,018)		
Total			(184,621)
Change in Net Position of Governmental Activities			$71,090

See accompanying notes to the basic financial statements

North East Ohio Network
Mahoning County, Ohio

Statement of Fiduciary Net Position
Agency Funds
December 31, 2016

	Agency
Assets	
Cash and Investments	$22,585,159
Total Assets	$22,585,159
Liabilities	
Due to Other Governments	$22,585,159
Total Liabilities	$22,585,159

See accompanying notes to the basic financial statements

Note 1 – Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the North East Ohio Network Council of Governments, Mahoning County (the Organization), with all the powers and authority vested in regional councils of government by Chapter 167 of the Ohio Revised Code as a body corporate and political. The Organization commenced operations in 1996. The Organization is governed by a 14-member board consisting of the Superintendents of the member County Boards of Developmental Disabilities. The participating member County Boards are: Ashtabula, Columbiana, Cuyahoga, Geauga, Lake, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull, and Wayne counties. Services provided include Family Support Services and other Locally Funded Programs, Waiver Administration, Major Unusual Incident Investigations, Quality Assurance Reviews, Provider Compliance Reviews, and Training. The primary purpose of the Organization is to coordinate the power and duties of the member boards to better benefit and serve individuals with developmental disabilities in each of the organization's member counties.

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 accounting policies of the Organization 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 number of funds is 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 represent results of operations or have a measurement focus. Agency funds are accounted for by 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.

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 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 include 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 a 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.

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

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

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

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

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 if resources (expense/expenditure) until then.

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.

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 Operations Manager and approved by the Board of North East Ohio Network. As this is not required by State statute, the budget is not considered to be legally adopted. Budget amounts may be amended periodically by the Board.

State Cost Report Recovery or Repayment: Revenue from the State of Ohio for certain services provided by the Organization is based on tentative payment rates. Initial reimbursement or repayment is determined by the State after submission of annual cost reports. This initial determination is then subject to audit by the State. Revenue and expense is adjusted as required in subsequent periods based on final settlements. Settlements for calendar years through 2011 have been received or repaid. Although cost reports have been filed for 2012, 2013, 2014, and 2015, no determination has been made by the State of Ohio as to reimbursement or repayment.

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

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 2016, the Organization has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application", Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", Statement No. 77, "Tax Abatement Disclosures", Statement No. 78, "Pension Benefits Provided Through Certain Multiple-Employer Defined Benefit Pension Plans", Statement No. 79, "Certain External Investment Pools and Pool Participants", and GASB Statement No. 82, "Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Organization.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement supersedes Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Organization.

GASB Statement No. 77 gives users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature of tax abatements will make these transactions more transparent to financial statement users. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Organization.

GASB Statement No. 78 amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state or local government employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Organization.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes, all of their investment at amortized cost. This Statement provides accounting and financial reporting guidance and also establishes additional note disclosure requirements for governments that participate in those pools. The Organization participates in STAR Ohio which implemented GASB Statement No. 79 for fiscal year 2016. The Organization also incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Organization's fiscal year 2016 financial statements; however, there was no effect on beginning net position.

Note 4 – Cash and Investments

In accordance with Ohio Revised Code Section 167.04, the Organization invests in those instruments authorized by its written investment policy filed with the Auditor of the State which include (1) Bonds, notes, or other obligations guaranteed by the United States; (2) Bonds, notes, or other obligations issued by any Federal government agency; (3) Repurchase agreements under the terms of which 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).

Cash and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position and Governmental Fund Balance Sheet	
Cash and Cash Equivalents	$617,164
Investments	489,094
Statement of Fiduciary Net Position - Agency Funds	22,585,159
Total Cash and Investments	$23,691,417

Cash and Investments as of December 31, 2016	
PNC Business Checking	$11,010,621
PNC Money Market Funds	$6,174,967
Investments	6,505,829
Total Cash and Investments	$23,691,417

Deposits: At December 31, 2016, the book amount of the Organization's deposits in the PNC accounts was $1,106,258, and the cash balance per the PNC statements was $1,106,984.

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, 2016, the Organization had the following investments and maturities:

Investment Type	Total Fair Value	Less Than 1 Year	1-5 Years
United States Treasury Notes	$ 5,505,157	$ 5,505,157	$ -
United States Agencies	$ 1,000,672	$ 1,000,672	$ -
Total	$ 6,505,829	$ 6,505,829	$ -

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.

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

U.S. Agencies	Rating	Amount
Federal Home Loan Mtg. Corporation	AAA	$ 515,346
Federal National Mortgage Association	AAA	$ 485,326
		$ 1,000,672
US Treasury Notes	AAA	$ 5,505,157

Concentration of Credit Risk: The Organization places no limit on the amount the Organization may invest in any one issuer. More than 5% of the Organization's cash and investments are invested in US Treasury Notes, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. These investments are 23.19%, 1.64% and 2.56%, respectively, of the Organization's total cash and investments at December 31, 2016.

Note 5 – Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

Governmental Activities: Capital assets being depreciated:

	Begin Balance 1/1/16	Additions	Deletions	Ending Balance 12/31/16
Furniture and Fixtures	$12,442	$0	$0	$12,442
Office Equipment	86,539	-	-	86,539
	98,981	-	-	98,981
Less Accumulated Depreciation for:				
A/D F&F	3,918	1,393	-	5,311
A/D Office Equipment	64,361	11,947	-	76,308
Total Depreciation	68,279	13,340	-	81,619
Governmental Activities Capital Assets, Net	$30,702	($13,340)	$0	$17,362

Depreciation expense charged to governmental activities totaled $13,340 for 2016.

Note 6 – Defined Benefit Pension Plans

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. A liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members of the Organization may elect the member-directed plan and the combined plan, substantially all employees are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
2016 Actual Contribution Rates	
Employer:	
Pension	12.0%
Post-Employment Health Care Benefits	2.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Organization's contractual required contribution was $137,454 for 2016.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Organization's proportion of the net pension liability was based on the Organization's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional	Combined	OPERS Total
Proportion of the Net Pension Liability (Asset) Prior Measurement Date	0.00945700%	0.02339000%	
Proportion of the Net Pension Liability (Asset) Current Measurement Date	0.00841800%	0.02968000%	
Change in Proportionate Share	-0.00103900%	0.00629000%	
Proportionate Share of the Net Pension Liability (Asset)	$1,458,104	($14,442)	$1,443,662
Pension Expense	$178,603	$6,018	$184,621

At December 31, 2016, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Plan	Combined Plan	OPERS Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$428,593	$6,126	$434,719
Change in proportionate share and difference between District contributions and proportionate share of contributions	0	111	111
District contributions subsequent to the measurement date	124,493	12,961	137,454
Total Deferred Outflows of Resources	$553,086	$19,198	$572,284
Deferred Inflows of Resources			
Differences between expected and actual experience	$29,358	$6,590	$35,948
Change in proportionate share and difference between District contributions and proportionate share of contributions	81,495	0	81,495
Total Deferred Inflows of Resources	$110,853	$6,590	$117,443

$137,454 reported as deferred outflows of resources related to pension resulting from Organization contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional Plan	Combined Plan	OPERS Total
Year Ending December 31:			
2017	($55,586)	($769)	($56,355)
2018	(62,440)	(769)	(63,209)
2019	(102,722)	(771)	(103,493)
2020	(96,992)	(596)	(97,588)
2021 - Thereafter	0	3,258	3,258
Total	($317,740)	$353	($317,387)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement, in accordance with the requirements of GASB 67:

Wage Inflation	3.75 Percent
Future Salary Increases, Including Inflation	4.25 Percent to 10.05 Percent, Including Wage Inflation
COLA or Ad hoc COLA	3 Percent, Simple
Investment Rate of Return	8.0 Percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projections Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other Investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Changes Between Measurement Date and Report Date In October 2016, the OPERS Board adopted certain changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0% to 7.5%. Although the exact amount of these in not known, the impact to the Government's net pension liability is expected to be significant.

Sensitivity of the Organization's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Organization's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8.0 percent, as well as what the Organization's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.0 percent), or one percentage point higher (9.0 percent) than the current rate.

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
NEON's Proportionate Share of the Net Pension Liability (Asset) - Traditional Plan	$2,323,115	$1,458,104	$728,494
NEON's Proportionate Share of the Net Pension Liability (Asset) - Combined Plan	(297)	(14,442)	(25,822)
Total OPERS	$2,322,818	$1,443,662	$702,672

Note 7 - Postemployment Benefits

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; The Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board 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/financial/reports.shtml#CAFR, 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 the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to VEBA for participants in the Member-Directed Plan for 2016 was 4.5 percent.

The Organization's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were $10,147, $11,601 and $12,271 respectively; 99 percent has been contributed for 2016 and 100 percent for 2015 and 2014.

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.

Note 9 – Commitments

Operating Leases:

The Organization rents office space under an operating lease expiring in 2017. Rent expense for 2016 was $60,588.

The Organization entered into a 63-month operating lease agreement for two Xerox Copiers commencing on August 1, 2016. Lease expense for 2016 was $2,604.

Minimum Annual Rentals are as follows:

2016	$63,192

NORTH EAST OHIO NETWORK
December 31, 2016

Required Supplementary Information
Schedule of NEON'S Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System (OPERS) - Traditional Plan
Last Three Fiscal Years (1)

	2015	2014	2013
NEON'S Proportion of the Net Pension Liability	0.00841800%	0.00945700%	0.00945700%
NEON'S Proportion Share of the Net Pension Liability	$1,458,104	$1,140,596	$1,114,834
NEON'S Covered-Employee Payroll	$1,261,649	$1,395,890	$1,595,230
NEON'S Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	115.57%	81.71%	69.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (2)	81.08%	86.45%	N/A

(1) Information prior to 2013 is not available.
(2) Information prior to 2014 is not available

Amounts presented as of the NEON'S measurement date which is December 31, 2014.

NORTH EAST OHIO NETWORK

December 31, 2016

Required Supplementary Information
Schedule of the NEON'S Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System (OPERS) - Combined Plan
Last Three Fiscal Years (1)

	2015	2014	2013
NEON'S Proportion of the Net Pension Asset	0.029680000%	0.023390000%	0.023390000%
NEON'S Proportion Share of the Net Pension Asset	$14,442	$9,006	$2,454
NEON'S Covered-Employee Payroll	$130,652	$103,370	$122,910
NEON'S Proportion Share of the Net Pension Asset as a Percentage of its Covered-Employee Payroll	11.05%	8.71%	2.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (2)	116.90%	114.83%	N/A

(1) Information prior to 2013 is not available.
(2) Information prior to 2014 is not available

Amounts presented as of the NEON'S measurement date which is December 31, 2014.

NORTH EAST OHIO NETWORK
December 31, 2016

Required Supplementary Information
Schedule of NEON Contributions
Ohio Public Employees Retirement System (PERS) - Traditional
Last Four Fiscal Years

	2016	2015	2014	2013
Contractually Required Contribution	$112,696	$125,731	$139,129	$140,451
Contributions in Relation to the Contractually Required Contribution	($112,696)	($125,731)	($139,129)	($140,451)
Contribution Deficiency (Excess)	$0	$0	$0	$0
NEON Covered-Employee Payroll	$939,133	$1,047,758	$1,159,408	$1,170,421
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	12.00%

(1) Information prior to 2013 available upon request.

NORTH EAST OHIO NETWORK
December 31, 2016

Required Supplementary Information
Schedule of NEON Contributions
Ohio Public Employees Retirement System (PERS) - Combined
Last Four Fiscal Years

	2016	2015	2014	2013
Contractually Required Contribution	$8,072	$12,961	$10,259	$12,082
Contributions in Relation to the Contractually Required Contribution	($8,072)	($12,961)	($10,259)	($12,082)
Contribution Deficiency (Excess)	$0	$0	$0	$0
Covered-Employee Payroll	$67,267	$108,008	$85,492	$86,300
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	14.00%

(1) Information prior to 2013 available upon request.

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2015 and 2016.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015 and 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

North East Ohio Network - Mahoning County, Ohio
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
12/31/2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Waiver Administration	573,300	573,300	336,995	(236,305)
Family Support Services	392,000	392,000	414,869	22,869
Major Unusual Incidents	208,600	208,600	205,643	(2,957)
Membership Fees	70,000	70,000	70,000	-
Quality Assurance	262,000	262,000	358,938	96,938
Provider Reviews and Training	106,000	106,000	130,480	24,480
MAC Revenue	320,000	320,000	341,947	21,947
Financial Services and Investment Earnings	40,000	40,000	2,561	(37,439)
Other	21,926	21,926	24,831	2,905
Total Revenues	1,993,826	1,993,826	1,886,264	(107,562)
Expenditures				
Current:				
Wages	1,202,154	1,202,154	1,037,441	164,713
Employee Benefits	360,580	360,580	271,234	89,346
Payroll Taxes	17,431	17,431	14,452	2,979
Professional Fees	108,700	108,700	102,172	6,528
Office Expense	22,900	22,900	17,862	5,038
Rent	60,588	60,588	60,588	-
Utilities	7,912	7,912	8,023	(111)
Software	22,000	22,000	32,954	(10,954)
Telephone	36,617	36,617	32,891	3,726
Postage	22,900	22,900	13,754	9,146
Travel and Meals	70,000	70,000	68,039	1,961
Seminars and Training	12,000	12,000	21,674	(9,674)
MAC Fees	16,000	16,000	23,029	(7,029)
Miscellaneous	28,000	28,000	50,553	(22,553)
Total Expenditures	1,987,782	1,987,782	1,754,666	233,116
Net Change in Fund Balance	6,044	6,044	131,598	125,554
Fund Balance Beginning of Year	690,563	690,563	690,563	
Fund Balance End of Year	696,607	696,607	822,161	125,554

North East Ohio Network
Schedule of Funds Adminstered for County Boards
Year Ended December 31, 2016

	Ashtabula	Columbiana	Cuyahoga	Lake	Lorain	Mahoning	Medina	Portage	Richland	Stark	Summit	Wayne	Total
Cash and investment balance- Cost-- January 1, 2016	$ 963,790	$ 735,435	$ 465,998	$ 6,673,638	$ 676,761	$ 297,499	$ 216,408	$ 100,008	$ 3,885,506	$ 2,434,758	$ 4,973,675	$ 6,240	$ 21,429,716
Funds Received	1,846,072	2,930,112	1,519,565	3,711,434	-	362,532	571,821	467,295	3,798,034	168,177	-	16,000	15,391,042
Investment Earnings	-	-	-	7,061	-	-	-	-	2,932	1,236	4,445	-	15,674
Program Expenses	(1,742,972)	(3,379,701)	(1,666,820)	(3,980,251)	(32,244)	(429,123)	(413,423)	(417,731)	(1,295,689)	(876,903)	(637)	(9,673)	(14,245,167)
Bank Service Charges	-	-	-	(4,287)	-	-	-	-	(2,957)	(1,650)	-	-	(8,894)
Cash and investment balance- Cost - December 31, 2016	1,066,890	285,846	318,743	6,407,595	644,517	230,908	374,806	149,572	6,387,826	1,725,618	4,977,483	12,567	22,582,371
Unrealized Gain	-	-	-	779	-	-	-	-	1,198	811	-	-	2,788
Cash and investment balance- Market-- December 31, 2015	$ 1,066,890	$ 285,846	$ 318,743	$ 6,408,374	$ 644,517	$ 230,908	$ 374,806	$ 149,572	$ 6,389,024	$ 1,726,429	$ 4,977,483	$ 12,567	$ 22,585,159
Accrued Interest Receivable	$ -	$ -	$ -	$ 9,283	$ -	$ -	$ -	$ -	$ 5,609	$ 2,192	$ -	$ -	$ 17,084

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INDEPENDENT AUDITOR'S 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

To the Board of Trustees:

We have audited, in accordance with the 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, the financial statements of the governmental activities, the major fund (General), and the aggregate remaining fund information of the North East Ohio Network, Mahoning County (the Organization), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Organization's financial statements and have issued our report thereon dated July 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Canter & Assoc

CANTER & ASSOCIATES

Poland, Ohio

July 28, 2017

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
NOVEMBER 9, 2017

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