



**NORTH EAST OHIO NETWORK  
MAHONING COUNTY**

**REGULAR AUDIT  
FOR THE YEAR ENDED  
DECEMBER 31, 2019**



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Trustees  
Northeast Ohio Network  
721 Boardman-Poland Road, Suite 103  
Boardman, Ohio 44512

We have reviewed the *Independent Auditor's Report* of the Northeast Ohio Network, Mahoning County, prepared by Canter & Associates, for the audit period January 1, 2019 through December 31, 2020. 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 Northeast Ohio Network is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

September 22, 2021

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**North East Ohio Network  
Mahoning County**

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## INDEPENDENT AUDITOR'S REPORT

North East Ohio Network  
Mahoning County  
721 Boardman-Poland, Road., Suite 103  
Boardman, Ohio 44512

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, Boardman, Ohio as of and for the year ended December 31, 2019, 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, Boardman, Ohio, as of December 31, 2019, 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.

***Emphasis of Matter***

As described in Note 11 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Organization.

***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 and Postemployment Benefit Liabilities and Pension and Postemployment Benefit 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 30, 2021, 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 & ASSOCIATES**

**Poland, Ohio**

July 30, 2021

**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

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The discussion and analysis of North East Ohio Network (the "Organization") financial performance provides an overall review of the Organization's financial activities for the year ended December 31, 2019. 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 2019 are as follows:

*Overall:*

- The assets and deferred outflows of the Organization were less than its liabilities and deferred inflows at the close of the year ended December 31, 2019, by \$961,655 (net position).
- At the end of the current fiscal year, the Organization's general fund reported an ending fund balance of \$1,120,820, of which \$1,114,106 is available to fund future operations.
- The Organization's total net position decreased by \$174,764 which represents a 22 percent decrease from 2018.
- The Organization's total net pension liability increased to \$1,724,894 from \$998,231 and the OPEB liability increased to \$788,516, from \$679,790, a combined increase of \$835,389. For more information on these liabilities see Notes 8 and 9 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 2019?" 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

**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

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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 18 of this report.

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Mahoning County

*Management's Discussion and Analysis*  
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*Unaudited*

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Organization, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by (\$961,655) at December 31, 2019 and by (\$786,891) at December 31, 2018.

Table 1 provides a summary of the Organization's net position for 2019 and 2018.

	2019	2018	Increase (Decrease)
<b>Assets:</b>			
Cash and Investments	\$1,195,407	\$1,138,921	\$56,486
Other Assets	28,666	29,259	(593)
Capital Assets, net of accumulated dep.	24,332	1,753	22,579
<i>Total Assets</i>	<u>1,248,405</u>	<u>1,169,933</u>	<u>78,472</u>
<b>Deferred Outflows of Resources</b>			
Pension	510,809	239,414	\$271,395
OPEB	61,837	50,026	11,811
<b>Total Deferred Outflows of Resources</b>	<u>572,646</u>	<u>289,440</u>	<u>283,206</u>
<b>Total Assets and Deferred Outflows</b>	<u>1,821,051</u>	<u>1,459,373</u>	<u>361,678</u>
<b>Liabilities:</b>			
Current Liabilities	103,253	54,291	48,962
Long-term Liabilities:			
Due in One Year	8,944	0	8,944
Due in More than One Year	15,804	0	15,804
Net Pension Liability	1,724,894	998,231	726,663
Net OPEB Liability	788,516	679,790	108,726
<i>Total Liabilities</i>	<u>2,641,411</u>	<u>1,732,312</u>	<u>909,099</u>
<b>Deferred Inflows of Resources</b>			
Pension	79,196	379,371	(\$300,175)
OPEB	62,099	134,581	(72,482)
<b>Total Deferred Inflows of Resources</b>	<u>141,295</u>	<u>513,952</u>	<u>(372,657)</u>
<i>Total Liabilities and Deferred Inflows</i>	<u>2,782,706</u>	<u>2,246,264</u>	<u>536,442</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	0	1,753	(1,753)
Unrestricted (Deficit)	(961,655)	(788,644)	(173,011)
<i>Total Net Position</i>	<u>(\$961,655)</u>	<u>(\$786,891)</u>	<u>(\$174,764)</u>

**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

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The net pension liability (NPL) is one of the largest liabilities reported by the Organization at December 31, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27." The Organization also adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Organization's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Organization's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government 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 these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

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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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Organization's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Total assets increased by \$78,472. This increase can be attributed to an overall increase in cash from the prior year.

Total liabilities increased by \$909,099. This increase was due mostly to increases in the pension and net OPEB liabilities.

By comparing assets, deferred outflows, liabilities and deferred inflows, one can see the overall position of the Organization has declined as evidenced by the decrease in net position of \$174,764.

**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2019*  
*Unaudited*

Table 2 below provides a summary of the changes in net position for 2019 and 2018.

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

	2019	2018	Increase (Decrease)
<b>Revenues</b>			
<i>Total Revenues</i>	\$1,699,996	\$1,476,026	\$223,970
<b>Expenditures</b>			
<i>Total Expenditures</i>	1,874,760	1,508,781	365,979
<i>Change in Net Position</i>	(174,764)	(32,755)	(142,009)
<i>Net Position Beginning of Year</i>	(786,891)	(754,136)	(32,755)
<i>Net Position End of Year</i>	(\$961,655)	(\$786,891)	(\$174,764)

Wages and related benefits and taxes accounted for 72 percent of total expenses in 2019, and 77 percent in 2018.

Revenues increased 15 percent in 2019 compared to 2018.

***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, 2019, the unassigned fund balance of the general fund was \$1,114,106. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. At December 31, 2019, the unassigned fund balance represents approximately 65 percent of the total fund expenditures.

The fund balance of the Organization's general fund increased by \$6,931 during the current year. Revenues were up by \$223,973 while expenditures were also up by \$228,570. The increase in revenue is related to an increase in County reimbursements. The increase in expenses is due to increased professional fees and FSS/FSP purchases.

**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, 2019*  
*Unaudited*

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**Capital Assets and Debt Administration**

Capital Assets: The Organization's investment in capital assets for its governmental activities as of December 31, 2019, amounts to \$24,332 (net of accumulated depreciation). This investment in capital assets includes a copier lease, software, furniture and equipment. Note 5 provides capital asset activity during 2019.

**Current Issues**

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

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

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Organization's finances and to reflect the Organization's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Finance Director, North East Ohio Network, 721 Boardman-Poland Road, Boardman, Ohio 44512.



# North East Ohio Network

Mahoning County, Ohio

## Statement of Net Position

December 31, 2019

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$1,180,126
Cash and Cash Equivalents:	
With Fiscal Agents	15,281
Deposits and Prepaid Expenses	6,714
Accounts Receivable from other Governments	21,952
Capital Assets, Net of Accumulated Depreciation	24,332
<i>Total Assets</i>	<u>1,248,405</u>
<b>Deferred Outflows of Resources</b>	
Pension	510,809
OPEB	61,837
<i>Total Deferred Outflows of Resources</i>	<u>572,646</u>
<i>Total Assets and Deferred Outflows</i>	<u>1,821,051</u>
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	45,902
Due to other Governments	18,513
Accrued Wages and Benefits	38,838
<i>Total Current Liabilities</i>	<u>103,253</u>
<i>Noncurrent Liabilities:</i>	
Due Within One Year	8,944
Due in More than One Year	15,804
Net Pension Liability	1,724,894
Net OPEB Liability	788,516
<i>Total Noncurrent Liabilities</i>	<u>2,538,158</u>
<i>Total Liabilities</i>	<u>2,641,411</u>
<b>Deferred Inflows of Resources</b>	
Pension	79,196
OPEB	62,099
<i>Total Deferred Inflows of Resources</i>	<u>141,295</u>
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>2,782,706</u>
<b>Net Position</b>	
Unrestricted (Deficit)	(961,655)
<i>Total Net Position</i>	<u><u>(\$961,655)</u></u>

See accompanying notes to the basic financial statements.



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

*Balance Sheet*  
*Governmental Fund*  
*December 31, 2019*

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	<u>General</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$1,180,126
Deposits and Prepaid Expenses	6,714
Cash with Fiscal Agent	15,281
Accounts Receivable from other Governments	21,952
<i>Total Assets</i>	<u><u>\$1,224,073</u></u>
<b>Liabilities</b>	
Accounts Payable	\$45,902
Accrued Wages and Benefits Payable	38,838
Due to Other Governments	18,513
<i>Total Liabilities</i>	<u><u>103,253</u></u>
<b>Fund Balance</b>	
Nonspendable	6,714
Unassigned	1,114,106
<i>Total Fund Balance</i>	<u><u>1,120,820</u></u>
<i>Total Liabilities and Fund Balance</i>	<u><u>\$1,224,073</u></u>

See accompanying notes to the basic financial statements.

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

*Reconciliation of the Governmental Fund Balance to  
Net Position of Governmental Activities  
December 31, 2019*

<b>Total Governmental Fund Balance</b>		\$1,120,820
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.		24,332
Some liabilities, including net pension/OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the fund.		
Capital Lease Payable	(24,748)	
Net Pension Liability	(1,724,894)	
Net OPEB Liability	<u>(788,516)</u>	
Total		(2,538,158)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the fund.		
Deferred outflows of resources related to:		
Pension	510,809	
OPEB	<u>61,837</u>	
Total		572,646
Deferred inflows of resources related to pension and OPEB:		
Pension	(79,196)	
OPEB	<u>(62,099)</u>	
Total		<u>(141,295)</u>
<i>Net Position of Governmental Activities</i>		<u><u>(\$961,655)</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 Balance*  
*Governmental Fund*  
*For the Year Ended December 31, 2019*

	General
<b>Revenues</b>	
Waiver Administration	\$101,750
Family Support Services	500,139
Major Unusual Incidents	15,230
Targeted Case Management	82,229
Membership Fees	84,000
Quality Assurance	263,009
Provider Training	206,310
MAC Revenue	279,671
Investment Earnings	4,714
Other	15,770
FSS/FSP County Reimbursements	147,174
<i>Total Revenues</i>	<i>1,699,996</i>
<b>Expenditures</b>	
Wages	906,536
Employee Benefits	262,106
Payroll Taxes	23,874
Professional Fees	134,265
Office Expense	36,517
Rent & Utilities	63,641
Software	24,260
Telephone	21,505
Travel and Meals	46,919
Seminars and Training	10,732
Miscellaneous	11,824
Capital Outlay	28,257
FSS/FSP Purchases	150,886
<i>Total Expenditures</i>	<i>1,721,322</i>
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(21,326)</i>
<b>Other Financing Sources</b>	
Inception of Capital Lease	28,257
<i>Net Change in Fund Balance</i>	<i>6,931</i>
<i>Fund Balance Beginning of Year</i>	<i>1,113,889</i>
<i>Fund Balance End of Year</i>	<i>\$1,120,820</i>

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 Balance of the Governmental Fund to the Statement of Activities  
For the Year Ended December 31, 2019*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$6,931</b>
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Capital Outlay	28,257
Current Year Depreciation	<u>(5,678)</u>
Total	22,579
Contractually required contributions are reported as expenditures in the governmental fund; however, the statement of net position reports the impact as deferred outflows.	
Direct contributions:	
Pension	126,457
OPEB	<u>0</u>
Total	126,457
Except for amounts reported as deferred inflows/outflows, changes in net pension/OPEB liability impact pension/OPEB expense in the statement of activities.	
Pension	(281,547)
OPEB	<u>(24,436)</u>
Total	<u>(305,983)</u>
Repayment of capital lease principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	3,509
Other financing sources in the governmental fund increases long-term liabilities in the statement of net position.	
Inception of Capital Lease	<u>(28,257)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>(\$174,764)</u></u>

See accompanying notes to the basic financial statements

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

*Statement of Fiduciary Net Position*  
*Agency Funds*  
*December 31, 2019*

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	<u>Agency</u>
<b>Assets</b>	
Cash and Investments	<u>\$19,398,178</u>
<b>Liabilities</b>	
Due to Other Governments	<u>\$19,398,178</u>

See accompanying notes to the basic financial statements

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

*Notes to the Basic Financial Statements*  
*December 31, 2019*

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**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.



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

*Notes to the Basic Financial Statements*  
*December 31, 2019*

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**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.

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

*Notes to the Basic Financial Statements*  
*December 31, 2019*

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*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.

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

*Notes to the Basic Financial Statements*  
*December 31, 2019*

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**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 represent 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/Other Postemployment Benefits (OPEB):** For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB 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 Principles**

For 2019, the Organization has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, “Certain Asset Retirement Obligations”, Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements”, and GASB Statement No. 90, “Majority Equity Interest—an amendment of GASB Statement No. 14 and No. 61”.

**North East Ohio Network**  
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*Notes to the Basic Financial Statements*  
*December 31, 2019*

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GASB Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, aims to improve the information that is disclosed in notes to financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement also requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

GASB Statement No. 90, Majority Equity Interest - an amendment of GASB Statement No. 14 and No. 61, aims to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

**Note 4 – Deposits 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, 2019 are classified in the accompanying financial statements as follows:

<u>Statement of Net Position &amp; Governmental Fund Balance Sheet</u>	
Cash & Cash Equivalents	\$1,195,407
Statement of Fiduciary Net Position - Agency Funds	<u>19,398,178</u>
Total	<u><u>\$20,593,585</u></u>
 <u>Cash and Investments as of December 31, 2019:</u>	
PNC Business Checking	\$20,593,585
Investments	<u>0</u>
Total	<u><u>\$20,593,585</u></u>

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

*Notes to the Basic Financial Statements*  
*December 31, 2019*

**Deposits:** At December 31, 2019, the carrying amount of all Organization deposits was \$1,195,407 and the bank balance of all Organization deposits was \$1,198,557. \$265,281 of the bank balance was covered by Federal Deposit Insurance Corporation (FDIC) and \$933,276 was potentially exposed to custodial credit risk as discussed below.

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.

**Note 5 - Capital Assets**

A summary of the Organization's capital assets at December 31, 2019 follows:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
<b><i>Capital Assets, being depreciated:</i></b>				
Furniture and Fixtures	\$12,442	\$0	\$0	\$12,442
Office Equipment	86,539	28,257	0	114,796
<b><i>Total Capital Assets, being depreciated:</i></b>	<b>98,981</b>	<b>28,257</b>	<b>0</b>	<b>127,238</b>
Less Accumulated Depreciation:				
Furniture and Fixtures	(10,706)	(1,753)	0	(12,459)
Office Equipment	(86,522)	(3,925)	0	(90,447)
<b><i>Total Accumulated Depreciation</i></b>	<b>(97,228)</b>	<b>(5,678)</b>	<b>0</b>	<b>(102,906)</b>
<b><i>Total Capital Assets being depreciated, net</i></b>	<b>1,753</b>	<b>22,579</b>	<b>0</b>	<b>24,332</b>
<b>Total Capital Assets, Net</b>	<b>\$1,753</b>	<b>\$22,579</b>	<b>\$0</b>	<b>\$24,332</b>

Depreciation expense charged to governmental activities totaled \$5,678 for 2019.

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

*Notes to the Basic Financial Statements*  
*December 31, 2019*

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**Note 6 - Defined Benefit Pension Plan**

***Net Pension Liability***

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 position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The retirement systems report investments at fair value.

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 other variables. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Organization's share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting.

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 the 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.

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

*Notes to the Basic Financial Statements*  
*December 31, 2019*

**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):

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

**North East Ohio Network**  
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*Notes to the Basic Financial Statements*  
*December 31, 2019*

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
<b>2019 Statutory Maximum Contribution Rates</b>	
Employer	14.0%
Employee	10.0%
<b>2019 Actual Contribution Rates</b>	
Employer:	
Pension	14.0%
Post-Employment Health Care Benefits	0.0%
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 \$45,196 for 2019.

***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, 2018, 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:

	OPERS Traditional
Proportion of the Net Pension Liability (Asset) Prior Measurement Date	0.00636300%
Proportion of the Net Pension Liability (Asset) Current Measurement Date	0.00629800%
Change in Proportionate Share	-0.00006500%
Proportionate Share of the Net Pension Liability (Asset)	\$1,724,894
Pension Expense	\$281,547



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

*Notes to the Basic Financial Statements*  
*December 31, 2019*

At December 31, 2019, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$81
Net difference between projected and actual earnings on pension plan investments	234,116
Change of Assumptions	150,155
Organization contributions subsequent to the measurement date	126,457
Total Deferred Outflows of Resources	\$510,809
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$22,649
Change in proportionate share and difference between Organization contributions and proportionate share of contributions	56,547
Total Deferred Inflows of Resources	\$79,196

\$126,457 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional
<b>Year Ending December 31:</b>	
2020	\$102,638
2021	71,494
2022	22,142
2023	108,882
Total	\$305,156

***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the value 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, 2018, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirement of GASB 67:

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*Notes to the Basic Financial Statements*  
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Wage Inflation	3.25 Percent
Future Salary Increases, Including Inflation COLA or Ad hoc COLA	3.25 Percent to 10.75 Percent Pre 1/7/2013 retirees: 3 Percent Simple; Post 1/7/2013 retirees: 3 Percent Simple through 2018, then 2.15 Percent Simple
Current Measurement Period - Investment Rate of Return	7.20 Percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Health Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

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 weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 2.94 percent for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board 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 following table displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 7.2 percent for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates, as actuarially determined. 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.

**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 7.2 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 (6.2 percent), or one percentage point higher (8.2 percent) than the current rate.

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Organization's Proportionate Share of the Net Pension Liability (Asset) - Traditional	<u>\$2,548,171</u>	<u>\$1,724,894</u>	<u>\$1,040,745</u>

**Note 7 – Defined Benefit Other Postemployment Benefits (OPEB) Plan**

**Net OPEB Liability**

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

**North East Ohio Network**  
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*Notes to the Basic Financial Statements*  
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The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-between an employer and its employees-of salaries and benefits for employee services. OPEB is 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

The Organization's share of each plan's unfunded benefits is presented as a long-term *net other postemployment benefit liability* on the accrual basis of accounting.

Ohio Revised Code limits the Organization's obligation for liabilities to OPERS to annual required payments. The Organization cannot control benefit terms or the manner in which OPEB from the cost-sharing, multiple-employer plans are financed; however, the Organization does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits but does not require the cost-sharing, multiple-employer retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

***Plan Description—Ohio Public Employees Retirement System (OPERS)***

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 a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 OPEB as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

The ORC permits but does not require OPERS to provide health care to its eligible benefit recipients. Organization to establish and amend health care coverage is provided to the Board in Chapter 145 of the ORC.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy—The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by Systems' Board of Trustees, 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 2018, local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by ORC. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care for 2019 was 0 percent for both the traditional pension and combined plans. The OPERS 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 into the RMA for participants in the member-directed plan for 2019 was 4.0 percent.

***OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability for OPERS was measured as of December 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to December 31, 2018 by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The Organization's proportion of the net OPEB liability was based on the Organization's share of contributions to the retirement system relative to the contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

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	OPERS
Proportion of the Net OPEB Liability Prior Measurement Date	0.00626000%
Proportion of the Net OPEB Liability Current Measurement Date	0.00604800%
Change in Proportionate Share	-0.00021200%
Proportionate Share of the Net OPEB Liability	\$788,516
OPEB Expense	\$24,436

At December 31, 2019, the Organization reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$266
Net difference between projected and actual earnings on pension plan investments	36,148
Change of Assumptions	25,423
Total Deferred Outflows of Resources	\$61,837
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$2,139
Change in proportionate share and difference between Organization contributions and proportionate share of contributions	59,960
Total Deferred Inflows of Resources	\$62,099

No amount was reported as deferred outflows of resources related to OPEB resulting from Organization contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS
<b>Year Ending December 31:</b>	
2020	(\$19,824)
2021	(4,359)
2022	5,712
2023	18,209
Total	(\$262)

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

*Notes to the Basic Financial Statements*  
*December 31, 2019*

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***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the value 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 health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by employers and plan members) and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018.

**Key Methods and Assumptions used in Valuation of the Total OPEB Liability:**

Actuarial Valuation Date	December 31, 2017
Rolled-Forward Measurement Date	December 31, 2018
Experience Study	5-Year Period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Actuarial Assumptions:	
Single Discount Rate	3.96 Percent
Investment Rate of Return	6.00 Percent
Municipal Bond Rate	3.71 Percent
Wage Inflation	3.25 Percent
Projected Salary Increases	3.25 - 10.75 Percent (includes wage inflation at 3.25 Percent)
Health Care Cost Trend Rate	10.0 Percent Initial, 3.25 Percent ultimate in 2029

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The long-term expected rate of return on health care 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 weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and

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health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 5.60 percent for 2018.

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2018 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	34.00 %	2.42 %
Domestic Equities	21.00	6.21
REIT's	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00 %	5.16 %

**Discount Rate.** A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.0 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance health care costs through the year 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the Organization's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates.** The following table presents the net OPEB liability calculated using the single discount rate of 3.96 percent and the expected net OPEB liability if it were calculated using a discount rate that is 1.0 percent lower or 1.0 percent higher than the current rate:



**North East Ohio Network**  
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*Notes to the Basic Financial Statements*  
*December 31, 2019*

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Organization's Proportionate Share of the Net OPEB Liability	\$1,008,806	\$788,516	\$613,328

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.0 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate:

	1% Decrease	Current Health Care Trend Rate	1% Increase
Organization's Proportionate Share of the Net OPEB Liability	\$757,935	\$788,516	\$823,738

**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 2019. Rent expense for 2019 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 2019 was \$6,358.

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

*Notes to the Basic Financial Statements*  
*December 31, 2019*

**Note 10 – Long-Term Obligations**

Changes in the Organization’s long-term obligations during 2019 were as follows:

	Outstanding 1/1/2019	Additions	Reductions	Outstanding 12/31/2019	Amount Due In One Year
Capital Lease	\$0	\$28,257	\$3,509	\$24,748	\$8,944
Net Pension Liability	998,231	726,663	0	1,724,894	0
Net OPEB Liability	679,790	108,726	0	788,516	0
<b>Total Long-Term Obligations</b>	<b>\$ 1,678,021</b>	<b>\$ 863,646</b>	<b>\$ 3,509</b>	<b>\$ 2,538,158</b>	<b>\$ 8,944</b>

The Organization pays obligations related to employee compensation from the general fund.

During 2019, the Organization entered into a three-year capital lease agreement with Dell for copiers. The lease commenced July 1, 2019 and will expire June 30, 2022.

The annual requirements to retire these obligations are as follows:

Year Ending December 31,	Capital Lease	
	Principal	Interest
2020	\$8,944	\$1,758
2021	9,734	968
2022	6,070	173
<i>Total</i>	<u>\$24,748</u>	<u>\$2,899</u>

**Note 11 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Organization. The Organization’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Organization’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. Additional funding will be available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**North East Ohio Network**  
*Required Supplementary Information*

*Schedule of the Organization's Proportionate Share of the Net Pension Liability*  
*Ohio Public Employees Retirement System (OPERS) - Traditional Plan*  
*Last Six Years (1)*

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	2019	2018	2017	2016	2015	2014
Organization's Proportion of the Net Pension Liability	0.0062980%	0.0063630%	0.0072820%	0.0084180%	0.0094570%	0.0094570%
Organization's Proportionate Share of the Net Pension Liability	\$1,724,894	\$998,231	\$1,653,618	\$1,458,104	\$1,140,596	\$1,114,834
Organization's Covered-Employee Payroll	\$850,707	\$884,162	\$884,161	\$1,261,649	\$1,395,890	\$1,595,230
Organization's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	202.76%	112.90%	187.03%	115.57%	81.71%	69.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

Amounts presented as of NEON's measurement date, which is the prior year end.

**North East Ohio Network**  
*Required Supplementary Information*

*Schedule of the Organization's Proportionate Share of the Net OPEB Liability*  
*Ohio Public Employees Retirement System (OPERS)*  
*Last Three Years (1)*

	2019	2018	2017
Organization's Proportion of the Net OPEB Liability	0.0060480%	0.0062600%	0.0074920%
Organization's Proportionate Share of the Net OPEB Liability	\$788,516	\$679,790	\$756,717
Organization's Covered-Employee Payroll	\$850,707	\$953,070	\$951,428
Organization's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	92.69%	71.33%	79.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available.

Amounts presented as of NEON's measurement date, which is the prior year end.

**North East Ohio Network**  
*Required Supplementary Information*

*Schedule of Organization Contributions*  
*Ohio Public Employees Retirement System (OPERS) - Traditional Plan*  
*Last Seven Years (1)*

	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$126,457	\$119,099	\$114,941	\$106,099	\$151,398	\$167,507	\$191,428
Contributions in Relation to the Contractually Required Contribution	(\$126,457)	(\$119,099)	(\$114,941)	(\$106,099)	(\$151,398)	(\$167,507)	(\$191,428)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Organization Covered-Employee Payroll	\$903,264	\$850,707	\$884,162	\$884,161	\$1,261,649	\$1,395,890	\$1,595,230
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	12.00%

(1) Information prior to 2013 available upon request.

**North East Ohio Network**  
*Required Supplementary Information*

*Schedule of Organization OPEB Contributions*  
*Ohio Public Employees Retirement System (OPERS)*  
*Last Seven Years (1)*

	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$0	\$0	\$10,217	\$10,147	\$11,601	\$12,271	\$11,601
Contributions in Relation to the Contractually Required Contribution	\$0	\$0	(\$10,217)	(\$10,147)	(\$11,601)	(\$12,271)	(\$11,601)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Organization Covered-Employee Payroll	\$903,264	\$850,707	\$953,070	\$951,428	\$1,369,657	\$1,481,382	\$1,681,530
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	1.07%	1.07%	0.85%	0.83%	0.69%

(1) Information prior to 2013 available upon request.

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

*Notes to Required Supplementary Information  
For the Year Ended December 31, 2019*

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**Net Pension Liability**

*Changes in Actuarial Assumptions and Methods - OPERS*

In 2019, a change in assumptions included a reduction of the discount rate from 7.5 percent to 7.2 percent.

**Net OPEB Liability**

*Changes in Actuarial Assumptions and Methods – OPERS*

In 2019, changes in assumptions included a reduction of the investment rate of return from 6.50 percent to 6.00 percent, an increase in the municipal bond rate from 3.31 percent to 3.71 percent, resulting in an increase in the single discount rate from 3.85 percent to 3.96 percent.

Another change includes adjusting the health care cost trend rate from 7.5 percent initial, 3.25 percent ultimate in 2028 to 10.0 percent initial, 3.25 percent ultimate in 2029.

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

*Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2019*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Waiver Administration	\$120,000	\$120,000	\$101,750	(\$18,250)
Family Support Services	464,900	464,900	497,265	32,365
Major Unusual Incidents	8,400	8,400	15,230	6,830
Targeted Case Management	60,000	60,000	82,229	\$22,229
Membership Fees	84,000	84,000	84,000	0
Quality Assurance	265,700	265,700	263,009	(2,691)
Provider Training	91,000	91,000	206,310	115,310
MAC Revenue	268,000	268,000	279,671	11,671
Investment Earnings	9,775	9,775	4,714	(5,061)
Other	22,000	22,000	15,770	(6,230)
FSS/FSP County Reimbursements	170,000	170,000	147,174	(22,826)
<i>Total Revenues</i>	<u>1,563,775</u>	<u>1,563,775</u>	<u>1,697,122</u>	<u>133,347</u>
<b>Expenditures</b>				
Wages	841,594	900,394	903,261	(2,867)
Employee Benefits	239,323	262,923	270,950	(8,027)
Payroll Taxes	24,653	24,653	23,289	1,364
Professional Fees	62,000	62,000	93,115	(31,115)
Office Expense	32,500	38,000	34,663	3,337
Rent & Utilities	72,000	72,000	66,946	5,054
Software	30,000	24,500	23,663	837
Telephone	20,700	20,700	20,854	(154)
Travel and Meals	42,000	42,000	46,919	(4,919)
Seminars and Training	10,000	10,000	10,732	(732)
Miscellaneous	12,500	12,500	10,639	1,861
FSS/FSP Purchases	170,000	170,000	150,886	19,114
<i>Total Expenditures</i>	<u>1,557,270</u>	<u>1,639,670</u>	<u>1,655,917</u>	<u>(16,247)</u>
<i>Net Change in Fund Balance</i>	6,505	(75,895)	41,205	117,100
<i>Fund Balance Beginning of Year</i>	847,268	847,268	847,268	0
<i>Fund Balance End of Year</i>	<u>\$853,773</u>	<u>\$771,373</u>	<u>\$888,473</u>	<u>\$117,100</u>



North East Ohio Network  
Schedule of Funds Administered for County Boards  
Year Ended December 31, 2019

	Ashtabula	Columbiana	Cuyahoga	Lake	Lorain	Mahoning	Medina	Portage	Richland	Stark	Summit	Wayne	Total
Cash and investment balance- Cost-- January 1, 2019	\$ 2,838,350	\$ 105,103	\$ 382,080	\$ 5,555,580	\$ 622,267	\$ 170,737	\$ 373,151	\$ 242,793	\$ 5,688,066	\$ 747,441	\$ 5,016,972	\$ 8,490	\$ 21,751,030
Funds Received	2,614,020	301,450	2,038,882	3,852,820	-	262,398	155,494	363,488	1,595,574	433,369	469,336	37,009	12,123,840
Program Expenses	(2,746,581)	(130,152)	(1,929,953)	(4,056,232)	(7,570)	(126,975)	(364,309)	(283,580)	(3,532,833)	(794,303)	(469,594)	(34,610)	(14,476,692)
Bank Service Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and investment balance- Cost - December 31, 2019	2,705,789	276,401	491,009	5,352,168	614,697	306,160	164,336	322,701	3,750,807	386,507	5,016,714	10,889	19,398,178
Unrealized Gain	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and investment balance- Market-- December 31, 2019	\$ 2,705,789	\$ 276,401	\$ 491,009	\$ 5,352,168	\$ 614,697	\$ 306,160	\$ 164,336	\$ 322,701	\$ 3,750,807	\$ 386,507	\$ 5,016,714	\$ 10,889	\$ 19,398,178



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CERTIFIED PUBLIC ACCOUNTANTS

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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  
721 Boardman-Poland, Road., Suite 103  
Boardman, Ohio 44512

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, 2019, and the related notes to the financial statements, which collectively comprise the Organization's financial statements and have issued our report thereon dated July 30, 2021, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Organization.

***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 & ASSOCIATES**

Poland, Ohio

July 30, 2021



**NORTH EAST OHIO NETWORK  
MAHONING COUNTY**

**REGULAR AUDIT  
FOR THE YEAR ENDED  
DECEMBER 31, 2020**

**North East Ohio Network  
Mahoning County**

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## INDEPENDENT AUDITOR'S REPORT

North East Ohio Network  
Mahoning County  
721 Boardman-Poland, Road., Suite 103  
Boardman, Ohio 44512

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, Boardman, Ohio as of and for the year ended December 31, 2020, 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, Boardman, Ohio, as of December 31, 2020, 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.

### ***Emphasis of Matter***

As described in Note 11 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Organization. Also, as described in Note 3 to the financial statements, in 2020, the Organization adopted new accounting guidance, *GASB No. 84, "Fiduciary Activities"*. Our opinion was not modified with respect to these matters.

### ***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 and Postemployment Benefit Liabilities and Pension and Postemployment Benefit 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 30, 2021, 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 & ASSOCIATES**

**Poland, Ohio**  
July 30, 2021



**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*Unaudited*

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The discussion and analysis of North East Ohio Network (the "Organization") financial performance provides an overall review of the Organization's financial activities for the year ended December 31, 2020. 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 2020 are as follows:

*Overall:*

- The assets and deferred outflows of the Organization were less than its liabilities and deferred inflows at the close of the year ended December 31, 2020, by \$933,218 (net position).
- At the end of the current fiscal year, the Organization's general fund reported an ending fund balance of \$1,122,256, of which \$1,116,422 is available to fund future operations.
- The Organization's total net position increased by \$28,437 which represents a 3 percent increase from 2019.
- The Organization's total net pension liability decreased to \$1,099,565 from \$1,724,894 and the OPEB liability decreased to \$768,119, from \$788,516, a combined net decrease of \$645,726. For more information on these liabilities see Notes 6 and 7 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 2020?" 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

**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*Unaudited*

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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 18 of this report.

**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*Unaudited*

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Organization, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by (\$933,218) at December 31, 2020 and by (\$961,655) at December 31, 2019.

Table 1 provides a summary of the Organization's net position for 2020 and 2019.

	2020	2019	Increase (Decrease)
<b>Assets:</b>			
Cash and Investments	\$1,180,367	\$1,195,407	(\$15,040)
Other Assets	26,906	28,666	(1,760)
Capital Assets, net of accumulated dep.	20,407	24,332	(3,925)
<i>Total Assets</i>	<u>1,227,680</u>	<u>1,248,405</u>	<u>(20,725)</u>
<b>Deferred Outflows of Resources</b>			
Pension	169,084	510,809	(\$341,725)
OPEB	121,604	61,837	59,767
<b>Total Deferred Outflows of Resources</b>	<u>290,688</u>	<u>572,646</u>	<u>(281,958)</u>
<b>Total Assets and Deferred Outflows</b>	<u>1,518,368</u>	<u>1,821,051</u>	<u>(302,683)</u>
<b>Liabilities:</b>			
Current Liabilities	85,017	103,253	(18,236)
Long-term Liabilities:			
Due in One Year	9,734	8,944	790
Due in More than One Year	6,070	15,804	(9,734)
Net Pension Liability	1,099,565	1,724,894	(625,329)
Net OPEB Liability	768,119	788,516	(20,397)
<i>Total Liabilities</i>	<u>1,968,505</u>	<u>2,641,411</u>	<u>(672,906)</u>
<b>Deferred Inflows of Resources</b>			
Pension	323,548	79,196	\$244,352
OPEB	159,533	62,099	97,434
<b>Total Deferred Inflows of Resources</b>	<u>483,081</u>	<u>141,295</u>	<u>341,786</u>
<i>Total Liabilities and Deferred Inflows</i>	<u>2,451,586</u>	<u>2,782,706</u>	<u>(331,120)</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	4,603	0	4,603
Unrestricted (Deficit)	(937,821)	(961,655)	23,834
<i>Total Net Position</i>	<u>(\$933,218)</u>	<u>(\$961,655)</u>	<u>\$28,437</u>

**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2020*  
*Unaudited*

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The net pension liability (NPL) is the largest single liability reported by the Organization at December 31, 2020. GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government 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 these liabilities. 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 Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Organization’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Total assets decreased by \$20,725. This decrease can be attributed to an overall decrease in cash from the prior year.

Total liabilities decreased by \$672,906. This decrease was due mostly to decreases in the pension and net OPEB liabilities.

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 \$28,437.

**North East Ohio Network**  
Mahoning County

*Management's Discussion and Analysis  
For the Year Ended December 31, 2020  
Unaudited*

Table 2 below provides a summary of the changes in net position for 2020 and 2019.

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

	2020	2019	Increase (Decrease)
<b>Revenues</b>			
<i>Total Revenues</i>	\$1,950,943	\$1,699,996	\$250,947
<b>Expenditures</b>			
<i>Total Expenditures</i>	1,922,506	1,874,760	47,746
<i>Change in Net Position</i>	28,437	(174,764)	203,201
<i>Net Position Beginning of Year</i>	(961,655)	(786,891)	(174,764)
<i>Net Position End of Year</i>	(\$933,218)	(\$961,655)	\$28,437

Wages and related benefits and taxes accounted for 45 percent of total expenses in 2020, and 48 percent in 2019. FSS/FSP purchases increased \$390,429 from 2019.

Revenues increased 15 percent in 2020 compared to 2019 due to an increase in FSS/FSP County reimbursements.

***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, 2020, the unassigned fund balance of the general fund was \$1,116,422. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. At December 31, 2020, the unassigned fund balance represents approximately 57 percent of the total fund expenditures.

The fund balance of the Organization's general fund increased by \$1,436 during the current year. Revenues were up by \$250,947 while expenditures were also up by \$228,185. The increase in revenue is related to an increase in FSS/FSP County reimbursements. The increase in expenses is due to increased FSS/FSP purchases.

**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, 2020*  
*Unaudited*

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**Capital Assets and Debt Administration**

Capital Assets: The Organization's investment in capital assets for its governmental activities as of December 31, 2020, amounts to \$20,407 (net of accumulated depreciation). This investment in capital assets includes a copier lease, software, furniture and equipment. Note 5 provides capital asset activity during 2020.

**Current Issues**

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

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

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Organization's finances and to reflect the Organization's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the Finance Director, North East Ohio Network, 721 Boardman-Poland Road, Boardman, Ohio 44512.

# North East Ohio Network

Mahoning County, Ohio

## Statement of Net Position December 31, 2020

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$1,161,473
Cash and Cash Equivalents:	
With Fiscal Agents	18,894
Prepaid Expenses	5,834
Accounts Receivable from other Governments	21,072
Capital Assets, Net of Accumulated Depreciation	20,407
<i>Total Assets</i>	<u>1,227,680</u>
<b>Deferred Outflows of Resources</b>	
Pension	169,084
OPEB	121,604
<i>Total Deferred Outflows of Resources</i>	<u>290,688</u>
<i>Total Assets and Deferred Outflows</i>	<u>1,518,368</u>
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	59,711
Due to other Governments	14,044
Accrued Wages and Benefits	11,262
<i>Total Current Liabilities</i>	<u>85,017</u>
<i>Noncurrent Liabilities:</i>	
Due Within One Year	9,734
Due in More than One Year	6,070
Net Pension Liability	1,099,565
Net OPEB Liability	768,119
<i>Total Noncurrent Liabilities</i>	<u>1,883,488</u>
<i>Total Liabilities</i>	<u>1,968,505</u>
<b>Deferred Inflows of Resources</b>	
Pension	323,548
OPEB	159,533
<i>Total Deferred Inflows of Resources</i>	<u>483,081</u>
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>2,451,586</u>
<b>Net Position</b>	
Net Investment in Capital Assets	4,603
Unrestricted (Deficit)	(937,821)
<i>Total Net Position</i>	<u><u>(\$933,218)</u></u>

See accompanying notes to the basic financial statements.

**North East Ohio Network**

Mahoning County, Ohio

*Statement of Activities  
For the Year Ended December 31, 2020*

	Expenses	Net (Expense) Revenue and Change in Net Position
<b>Governmental Activities</b>		<b>Governmental Activities</b>
Wages	\$869,341	(\$869,341)
Employee Benefits	243,689	(243,689)
Payroll Taxes	22,502	(22,502)
Professional Fees	57,296	(57,296)
Office Expense	38,360	(38,360)
Rent & Utilities	58,743	(58,743)
Software	18,340	(18,340)
Telephone	30,072	(30,072)
Travel and Meals	27,064	(27,064)
Seminars and Training	6,081	(6,081)
Miscellaneous	5,778	(5,778)
Depreciation	3,925	(3,925)
FSS/FSP Purchases	541,315	(541,315)
<i>Total Governmental Activities</i>	<u>\$1,922,506</u>	<u>(1,922,506)</u>
<b>General Revenues</b>		
		77,450
		480,400
		3,341
		52,771
		84,000
		208,408
		306,634
		247,626
		6,756
		12,346
		471,211
<i>Total General Revenues</i>		<u>1,950,943</u>
		28,437
<i>Net Position Beginning of Year</i>		(961,655)
<i>Net Position End of Year</i>		<u>(\$933,218)</u>

See accompanying notes to the basic financial statements.



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

*Balance Sheet*  
*Governmental Fund*  
*December 31, 2020*

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	<u>General</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$1,161,473
Prepaid Expenses	5,834
Cash with Fiscal Agent	18,894
Accounts Receivable from other Governments	21,072
<i>Total Assets</i>	<u><u>\$1,207,273</u></u>
<b>Liabilities</b>	
Accounts Payable	\$59,711
Accrued Wages and Benefits Payable	11,262
Due to Other Governments	14,044
<i>Total Liabilities</i>	<u><u>85,017</u></u>
<b>Fund Balance</b>	
Nonspendable	5,834
Unassigned	1,116,422
<i>Total Fund Balance</i>	<u><u>1,122,256</u></u>
<i>Total Liabilities and Fund Balance</i>	<u><u>\$1,207,273</u></u>

See accompanying notes to the basic financial statements.

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

*Reconciliation of the Governmental Fund Balance to  
Net Position of Governmental Activities  
December 31, 2020*

<b>Total Governmental Fund Balance</b>	<b>\$1,122,256</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	20,407
Some liabilities, including net pension/OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the fund.	
Capital Lease Payable	(15,804)
Net Pension Liability	(1,099,565)
Net OPEB Liability	<u>(768,119)</u>
Total	(1,883,488)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the fund.	
Deferred outflows of resources related to:	
Pension	169,084
OPEB	<u>121,604</u>
Total	290,688
Deferred inflows of resources related to pension and OPEB:	
Pension	(323,548)
OPEB	<u>(159,533)</u>
Total	<u>(483,081)</u>
<i>Net Position of Governmental Activities</i>	<u><u>(\$933,218)</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 Balance*  
*Governmental Fund*  
*For the Year Ended December 31, 2020*

	General
<b>Revenues</b>	
Waiver Administration	\$77,450
Family Support Services	\$480,400
Major Unusual Incidents	3,341
Targeted Case Management	52,771
Membership Fees	84,000
Quality Assurance	208,408
Provider Training	306,634
MAC Revenue	247,626
Investment Earnings	6,756
Other	12,346
FSS/FSP County Reimbursements	471,211
<i>Total Revenues</i>	1,950,943
<b>Expenditures</b>	
Wages	869,341
Employee Benefits	265,671
Payroll Taxes	22,502
Professional Fees	57,296
Office Expense	38,360
Rent & Utilities	58,743
Software	27,284
Telephone	30,072
Travel and Meals	27,064
Seminars and Training	6,081
Miscellaneous	5,778
FSS/FSP Purchases	541,315
<i>Total Expenditures</i>	1,949,507
<i>Net Change in Fund Balance</i>	1,436
<i>Fund Balance Beginning of Year</i>	1,120,820
<i>Fund Balance End of Year</i>	\$1,122,256

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 Balance of the Governmental Fund to the Statement of Activities  
For the Year Ended December 31, 2020*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$1,436</b>
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Capital Outlay	0
Current Year Depreciation	<u>(3,925)</u>
Total	(3,925)
Contractually required contributions are reported as expenditures in the governmental fund; however, the statement of net position reports the impact as deferred outflows.	
Direct contributions:	
Pension	110,354
OPEB	<u>0</u>
Total	110,354
Except for amounts reported as deferred inflows/outflows, changes in net pension/OPEB liability impact pension/OPEB expense in the statement of activities.	
Pension	(71,102)
OPEB	<u>(17,270)</u>
Total	<u>(88,372)</u>
Repayment of capital lease principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	<u>8,944</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$28,437</u></u>

See accompanying notes to the basic financial statements

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

*Statement of Fiduciary Net Position*  
*Custodial Funds*  
*December 31, 2020*

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	<u>Custodial</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash and Equivalents	\$17,965,818
<b>Liabilities</b>	
Due to Other Governments	<u>\$0</u>
<b>Net Position</b>	
Restricted for Individuals, Organizations and Other Governments	<u><u>\$17,965,818</u></u>

See accompanying notes to the basic financial statements

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

*Statement of Changes in Fiduciary Net Position*  
*Custodial Funds*  
*For the Year Ended December 31, 2020*

	<u>Custodial</u>
<b>Additions</b>	
Intergovernmental	\$13,450,121
<b>Deductions</b>	
Deductions of Funds to Other Governments	<u>14,882,481</u>
<i>Change in Fiduciary Net Position</i>	(1,432,360)
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>19,398,178</u>
<i>Net Position End of Year</i>	<u><u>\$17,965,818</u></u>

The notes to the basic financial statements are an integral part of this statement.

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

*Notes to the Basic Financial Statements*  
*December 31, 2020*

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**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.

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

*Notes to the Basic Financial Statements*  
*December 31, 2020*

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**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.



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

*Notes to the Basic Financial Statements*  
*December 31, 2020*

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*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.

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

*Notes to the Basic Financial Statements*  
*December 31, 2020*

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**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 represent 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 2016 have been received or repaid. Although cost reports have been filed for 2017, 2018, 2019, and 2020, no determination has been made by the State of Ohio as to reimbursement or repayment.

**Pensions/Other Postemployment Benefits (OPEB):** For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB 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.

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

*Notes to the Basic Financial Statements*  
*December 31, 2020*

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**Note 3 – Change in Accounting Principles & Restatement of Prior Year Net Position**

***Change in Accounting Principles***

For 2020, the Organization implemented Governmental Accounting Standards Board (GASB) guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities*. For 2020, the Organization also implemented GASB *Implementation Guide No. 2018-1*.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Organization will no longer be reporting agency funds. The Organization reviewed its agency funds and determined all funds will be reported in the new fiduciary fund classification of custodial funds, and no funds have been reclassified as governmental funds. This fund reclassifications resulted in a restatement of the Organization’s financial statements.

***Restatement of Fund Balances and Net Position***

The implementation of GASB Statement No. 84 had the following effect on fiduciary net position as of December 31, 2019:

	<u>Fiduciary Funds</u>	
	<u>Agency</u>	<u>Custodial</u>
Net Position at December 31, 2019	\$0	\$19,398,178
Adjustments:		
Assets	19,398,178	0
Liabilities	<u>(19,398,178)</u>	<u>0</u>
Restated Net Position at December 31, 2019	<u>\$0</u>	<u>\$19,398,178</u>

**Note 4 – Deposits and Investments**

State statutes classify monies held by the Organization into three categories.

Active monies are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash by the Organization, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Organization has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

*Notes to the Basic Financial Statements*  
*December 31, 2020*

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Protection of the Organization's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations.
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Organization and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Organization's name. During 2020, the Organization had no investments.

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

*Notes to the Basic Financial Statements*  
*December 31, 2020*

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**Deposits with Financial Institutions**

At December 31, 2020, the carrying amount of all Organization deposits was \$1,180,367, which includes \$18,894 of cash with fiscal agent, and the bank balance of all Organization deposits was \$1,186,372. \$268,894 of the bank balance was covered by Federal Deposit Insurance Corporation (FDIC) and \$917,478 was potentially exposed to custodial credit risk as discussed below.

At December 31, 2020, the carrying amount of all Organization custodial deposits was \$17,965,818 and the bank balance of all Organization custodial deposits was \$18,228,757. \$2,543,768 of the custodial bank balance was covered by Federal Deposit Insurance Corporation (FDIC) and \$15,684,989 was potentially exposed to custodial credit risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the Organization will not be able to recover deposits or collateral securities that are in possession of an outside party. The Organization has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by (1) eligible securities pledged to the Organization and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the Organization's financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Organization to a successful claim by the FDIC.

**Reconciliation of Cash and Investments to the Statement of Net position**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net Position as of December 31, 2020:

<u>Cash and Investments per Note Disclosure:</u>	
Carrying amount of deposits - NEON	\$1,161,473
Carrying amount of deposits - Custodial	17,965,818
Cash with fiscal agent	<u>18,894</u>
Total	<u><u>\$19,146,185</u></u>
 <u>Cash and Investments per Statement of Net Position:</u>	
Governmental Funds	\$1,180,367
Custodial Funds	<u>17,965,818</u>
Total	<u><u>\$19,146,185</u></u>

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

*Notes to the Basic Financial Statements*  
*December 31, 2020*

**Note 5 - Capital Assets**

A summary of the Organization's capital assets at December 31, 2020 follows:

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
<b><i>Capital Assets, being depreciated:</i></b>				
Furniture and Fixtures	\$12,442	\$0	\$0	\$12,442
Office Equipment	114,796	0	0	114,796
<b><i>Total Capital Assets, being depreciated:</i></b>	<b>127,238</b>	<b>0</b>	<b>0</b>	<b>127,238</b>
Less Accumulated Depreciation:				
Furniture and Fixtures	(12,459)	0	0	(12,459)
Office Equipment	(90,447)	(3,925)	0	(94,372)
<b><i>Total Accumulated Depreciation</i></b>	<b>(102,906)</b>	<b>(3,925)</b>	<b>0</b>	<b>(106,831)</b>
<b><i>Total Capital Assets being depreciated, net</i></b>	<b>24,332</b>	<b>(3,925)</b>	<b>0</b>	<b>20,407</b>
<b>Total Capital Assets, Net</b>	<b>\$24,332</b>	<b>(\$3,925)</b>	<b>\$0</b>	<b>\$20,407</b>

Depreciation expense charged to governmental activities totaled \$3,925 for 2020.

**Note 6 - Defined Benefit Pension Plan**

***Net Pension Liability***

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 position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The retirement systems report investments at fair value.

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.

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

*Notes to the Basic Financial Statements*  
*December 31, 2020*

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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 other variables. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Organization's share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting.

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 the 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.

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

*Notes to the Basic Financial Statements*  
*December 31, 2020*

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):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 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 2020, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits.



**North East Ohio Network**  
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*Notes to the Basic Financial Statements*  
*December 31, 2020*

The amount available for defined contribution benefits in the member directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the member's investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitation), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	State and Local
<b>2020 Statutory Maximum Contribution Rates</b>	
Employer	14.0%
Employee *	10.0%
<b>2020 Actual Contribution Rates</b>	
Employer:	
Pension **	14.0%
Post-Employment Health Care Benefits	0.0%
Total Employer	14.0%
Employee	10.0%

\*Member contributions within combined plan are not used to fund the defined benefit retirement allowance.

\*\*These pension and employer health care rates are for the traditional & combined plans. The employer contribution rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Organization's contractual required contribution was \$110,354 for 2020.

***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, 2019, 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:

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	OPERS Traditional
Proportion of the Net Pension Liability (Asset) Prior Measurement Date	0.00629800%
Proportion of the Net Pension Liability (Asset) Current Measurement Date	0.00556300%
Change in Proportionate Share	-0.00073500%
Proportionate Share of the Net Pension Liability (Asset)	\$1,099,565
Pension Expense	\$71,102

At December 31, 2020, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional
<b>Deferred Outflows of Resources</b>	
Change of Assumptions	\$58,730
Organization contributions subsequent to the measurement date	110,354
Total Deferred Outflows of Resources	\$169,084
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$13,903
Net difference between projected and actual earnings on pension plan investments	219,338
Change in proportionate share and difference between Organization contributions and proportionate share of contributions	90,307
Total Deferred Inflows of Resources	\$323,548

\$110,354 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional
<b>Year Ending December 31:</b>	
2021	(\$85,003)
2022	(101,804)
2023	9,081
2024	(87,092)
Total	(\$264,818)

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***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the value 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, 2019, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirement of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 Percent
Future Salary Increases, Including Inflation COLA or Ad hoc COLA	3.25 Percent to 10.75 Percent Pre 1/7/2013 retirees: 3 Percent Simple; Post 1/7/2013 retirees: 3 Percent Simple through 2018, then 2.15 Percent Simple
Current Measurement Period - Investment Rate of Return	7.20 Percent
Actuarial Cost Method	Individual Entry Age

In October 2019, the OPERS Board adopted a change in COLA for post-January 7, 2013 retirees, changing it from 3 percent simple through 2018 then 2.15 simple, to 1.4 simple through 2020 then 2.15 percent simple.

Pre-retirement mortality rates are based on the RP-2014 employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Health Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 17.2 percent for 2019.

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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 long-term expected 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 weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other Investments	13.00	4.98
Total	<u>100.00 %</u>	<u>5.61 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 7.2 percent for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates, as actuarially determined. 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.

**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 7.2 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 (6.2 percent), or one percentage point higher (8.2 percent) than the current rate.

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Organization's Proportionate Share of the Net Pension Liability (Asset) - Traditional	<u>\$1,813,538</u>	<u>\$1,099,565</u>	<u>\$457,724</u>

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**Note 7 – Defined Benefit Other Postemployment Benefits (OPEB) Plan**

***Net OPEB Liability***

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

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-between an employer and its employees-of salaries and benefits for employee services. OPEB is 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

The Organization’s share of each plan’s unfunded benefits is presented as a long-term *net other postemployment benefit liability* on the accrual basis of accounting.

Ohio Revised Code limits the Organization’s obligation for liabilities to OPERS to annual required payments. The Organization cannot control benefit terms or the manner in which OPEB from the cost-sharing, multiple-employer plans are financed; however, the Organization does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits but does not require the cost-sharing, multiple-employer retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

***Plan Description—Ohio Public Employees Retirement System (OPERS)***

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.

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OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 OPEB as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

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.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by Systems' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care for 2020 was 0 percent for both the traditional pension and combined plans. The OPERS 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 into the RMA for participants in the member-directed plan for 2020 was 4.0 percent.

***OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability for OPERS was measured as of December 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to December 31, 2019 by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The Organization's proportion of the net OPEB liability was based on the Organization's share of contributions to the retirement system relative to the

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contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability Prior Measurement Date	0.00604800%
Proportion of the Net OPEB Liability Current Measurement Date	0.00556100%
Change in Proportionate Share	-0.00048700%
Proportionate Share of the Net OPEB Liability	\$768,119
OPEB Expense	\$17,270

At December 31, 2020, the Organization reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$20
Change of Assumptions	121,584
Total Deferred Outflows of Resources	\$121,604
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$70,248
Net difference between projected and actual earnings on pension plan investments	39,113
Change in proportionate share and difference between Organization contributions and proportionate share of contributions	50,172
Total Deferred Inflows of Resources	\$159,533

No amount was reported as deferred outflows of resources related to OPEB resulting from Organization contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS
<b>Year Ending December 31:</b>	
2021	(\$14,612)
2022	(6,636)
2023	32
2024	(16,713)
Total	(\$37,929)

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***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the value 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 health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by employers and plan members) and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019.

**Key Methods and Assumptions used in Valuation of the Total OPEB Liability:**

Wage Inflation	3.25 Percent
Projected Salary Increases, Including Inflation	3.25 - 10.75 Percent (includes wage inflation)
Single Discount Rate:	
Current Measurement Rate	3.16 Percent
Prior Measurement Rate	3.96 Percent
Investment Rate of Return	6.00 Percent
Municipal Bond Rate:	
Current Measurement Rate	3.71 Percent
Prior Measurement Rate	3.71 Percent
Health Care Cost Trend Rate:	
Current Measurement Rate	10.50 Percent initial, 3.50 Percent ultimate in 2030
Prior Measurement Rate	10.0 Percent initial, 3.25 Percent ultimate in 2029

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for improvement back to the observation period base year of 2006.

The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above tables.

The long-term expected rate of return on health care 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 weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.



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During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 19.70 percent for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2019 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	36.00 %	1.53 %
Domestic Equities	21.00	5.75
REIT's	6.00	5.69
International Equities	23.00	7.66
Other Investments	14.00	4.90
Total	100.00 %	4.55 %

**Discount Rate.** A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.0 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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***Sensitivity of the Organization's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates.*** The following table presents the net OPEB liability calculated using the single discount rate of 3.16 percent and the expected net OPEB liability if it were calculated using a discount rate that is 1.0 percent lower or 1.0 percent higher than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Organization's Proportionate Share of the Net OPEB Liability	\$1,005,206	\$768,119	\$578,288

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care.

A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the Actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate:

	1% Decrease	Current Health Care Trend Rate	1% Increase
Organization's Proportionate Share of the Net OPEB Liability	\$745,452	\$768,119	\$790,496

**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.

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**Note 9 – Commitments**

Operating Leases:

The Organization rents office space under an operating lease expiring in 2024. Monthly rent expense for 2020 was \$3,451, or \$41,410 annually. Rent/utilities expense totaled \$57,849 for 2020.

The Organization entered into a 63-month operating lease agreement for two Xerox Copiers commencing on August 1, 2016. Lease expense for 2020 was \$6,358.

**Note 10 – Long-Term Obligations**

Changes in the Organization’s long-term obligations during 2020 were as follows:

	Outstanding 1/1/2020	Additions	Reductions	Outstanding 12/31/2020	Amount Due In One Year
Capital Lease	\$24,748	\$0	\$8,944	\$15,804	\$9,734
Net Pension Liability	1,724,894	0	625,329	1,099,565	0
Net OPEB Liability	788,516	0	20,397	768,119	0
<b>Total Long-Term Obligations</b>	<b>\$ 2,538,158</b>	<b>\$ 0</b>	<b>\$ 654,670</b>	<b>\$ 1,883,488</b>	<b>\$ 9,734</b>

The Organization pays obligations related to employee compensation from the general fund.

During 2019, the Organization entered into a three-year capital lease agreement with Dell for copiers. The lease commenced July 1, 2019 and will expire June 30, 2022.

The annual requirements to retire these obligations are as follows:

Year Ending December 31,	Capital Lease	
	Principal	Interest
2021	\$9,734	\$968
2022	6,070	173
<i>Total</i>	<u>\$15,804</u>	<u>\$1,141</u>

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**Note 11 – Covid-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Organization. The Organization's investment portfolio and the investments of the pension and other employee benefit plans in which the Organization participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Organization's future operating costs, revenues, and additional recovery from emergency funding, either Federal or State, cannot be estimated.

**North East Ohio Network**  
Required Supplementary Information

*Schedule of the Organization's Proportionate Share of the Net Pension Liability*  
*Ohio Public Employees Retirement System (OPERS) - Traditional Plan*  
*Last Seven Years (1)*

	2020	2019	2018	2017	2016	2015	2014
Organization's Proportion of the Net Pension Liability	0.0055630%	0.0062980%	0.0063630%	0.0072820%	0.0084180%	0.0094570%	0.0094570%
Organization's Proportionate Share of the Net Pension Liability	\$1,099,565	\$1,724,894	\$998,231	\$1,653,618	\$1,458,104	\$1,140,596	\$1,114,834
Organization's Covered-Employee Payroll	\$903,264	\$850,707	\$884,162	\$884,161	\$1,261,649	\$1,395,890	\$1,595,230
Organization's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	121.73%	202.76%	112.90%	187.03%	115.57%	81.71%	69.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

See accompanying notes to the required supplementary information.

**North East Ohio Network**  
*Required Supplementary Information*

*Schedule of the Organization's Proportionate Share of the Net OPEB Liability*  
*Ohio Public Employees Retirement System (OPERS)*  
*Last Four Years (1)*

	2020	2019	2018	2017
Organization's Proportion of the Net OPEB Liability	0.0056100%	0.0060480%	0.0062600%	0.0074920%
Organization's Proportionate Share of the Net OPEB Liability	\$768,119	\$788,516	\$679,790	\$756,717
Organization's Covered-Employee Payroll	\$903,264	\$850,707	\$953,070	\$951,428
Organization's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	85.04%	92.69%	71.33%	79.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available.

See accompanying notes to the required supplementary information.

**North East Ohio Network**  
*Required Supplementary Information*  
*Schedule of Organization Contributions*  
*Ohio Public Employees Retirement System (OPERS) - Traditional Plan*  
*Last Eight Years (1)*

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$110,354	\$126,457	\$119,099	\$114,941	\$106,099	\$151,398	\$167,507	\$191,428
Contributions in Relation to the Contractually Required Contribution	(\$110,354)	(\$126,457)	(\$119,099)	(\$114,941)	(\$106,099)	(\$151,398)	(\$167,507)	(\$191,428)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Organization Covered-Employee Payroll	\$788,243	\$903,264	\$850,707	\$884,162	\$884,161	\$1,261,649	\$1,395,890	\$1,595,230
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	12.00%

(1) Information prior to 2013 available upon request.

**North East Ohio Network**  
*Required Supplementary Information*  
*Schedule of Organization OPEB Contributions*  
*Ohio Public Employees Retirement System (OPERS)*  
*Last Eight Years (1)*

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$0	\$0	\$0	\$10,217	\$10,147	\$11,601	\$12,271	\$11,601
Contributions in Relation to the Contractually Required Contribution	\$0	\$0	\$0	(\$10,217)	(\$10,147)	(\$11,601)	(\$12,271)	(\$11,601)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Organization Covered-Employee Payroll	\$788,243	\$903,264	\$850,707	\$953,070	\$951,428	\$1,369,657	\$1,481,382	\$1,681,530
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	1.07%	1.07%	0.85%	0.83%	0.69%

(1) Information prior to 2013 available upon request.



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

*Notes to Required Supplementary Information*  
*For the Year Ended December 31, 2020*

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**Net Pension Liability**

*Changes in Actuarial Assumptions and Methods - OPERS*

There were no changes in the methods and assumptions used in the calculation of actuarially determined contributions during 2020.

*Changes in Benefit Terms - OPERS*

There were no changes in the benefit terms during 2020.

**Net OPEB Liability**

*Changes in Actuarial Assumptions and Methods – OPERS*

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability. The single discount rate changed from 3.96 percent to 3.16 percent, the municipal bond rate changed from 3.71 percent to 2.75 percent and the health care cost trend rate changed from 10.00 percent to 10.50 percent.

*Changes in Benefit Terms - OPERS*

There were no changes in the benefit terms during 2020.

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

*Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2020*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Revenues</b>				
Waiver Administration	\$86,400	\$86,400	\$77,450	(\$8,950)
Family Support Services	569,000	569,000	480,400	(88,600)
Major Unusual Incidents	54,000	54,000	3,341	(50,659)
Targeted Case Management	50,000	50,000	52,771	\$2,771
Membership Fees	84,000	84,000	84,000	0
Quality Assurance	255,700	255,700	208,408	(47,292)
Provider Training	179,000	179,000	306,634	127,634
MAC Revenue	305,000	305,000	247,626	(57,374)
Investment Earnings	4,200	4,200	6,756	2,556
Other	33,000	33,000	12,346	(20,654)
FSS/FSP County Reimbursements	170,000	170,000	471,211	301,211
<i>Total Revenues</i>	<u>1,790,300</u>	<u>1,790,300</u>	<u>1,950,943</u>	<u>160,643</u>
<b>Expenditures</b>				
Wages	890,554	890,554	896,917	(6,363)
Employee Benefits	286,202	286,202	272,514	13,688
Payroll Taxes	21,645	21,645	23,741	(2,096)
Professional Fees	75,000	75,000	70,046	4,954
Office Expense	41,150	41,150	39,820	1,330
Rent & Utilities	56,563	56,563	57,849	(1,286)
Software	30,800	30,800	27,881	2,919
Telephone	19,700	19,700	30,345	(10,645)
Travel and Meals	40,000	40,000	27,064	12,936
Seminars and Training	10,000	10,000	6,081	3,919
Miscellaneous	9,500	9,500	6,903	2,597
FSS/FSP Purchases	170,000	170,000	541,315	(371,315)
<i>Total Expenditures</i>	<u>1,651,114</u>	<u>1,651,114</u>	<u>2,000,476</u>	<u>(349,362)</u>
<i>Net Change in Fund Balance</i>	139,186	139,186	(49,533)	(188,719)
<i>Fund Balance Beginning of Year</i>	888,473	888,473	888,473	0
<i>Fund Balance End of Year</i>	<u>\$1,027,659</u>	<u>\$1,027,659</u>	<u>\$838,940</u>	<u>(\$188,719)</u>

North East Ohio Network  
Schedule of Funds Administered for County Boards  
Year Ended December 31, 2020

	Ashtabula	Columbiana	Cuyahoga	Lake	Lorain	Mahoning	Medina	Portage	Richland	Stark	Summit	Wayne	Total
Cash and investment balance- Cost-- January 1, 2020	\$ 2,705,789	\$ 276,401	\$ 491,009	\$ 5,352,168	\$ 614,697	\$ 306,160	\$ 164,336	\$ 322,701	\$ 3,750,807	\$ 386,507	\$ 5,016,714	\$ 10,889	\$ 19,398,178
Funds Received	2,009,416	266,715	3,126,581	3,383,959	-	1,150	157,137	322,672	2,723,308	835,659	603,024	20,500	13,450,121
Program Expenses	(2,645,341)	(218,233)	(2,806,064)	(3,424,594)	(9,894)	(108,048)	(232,846)	(275,940)	(3,687,627)	(911,709)	(536,676)	(25,509)	(14,882,481)
Bank Service Charges	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and investment balance- Cost - December 31, 2020	2,069,864	324,883	811,526	5,311,533	604,803	199,262	88,627	369,433	2,786,488	310,457	5,083,062	5,880	17,965,818
Unrealized Gain	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash and investment balance- Market-- December 31, 2020	\$ 2,069,864	\$ 324,883	\$ 811,526	\$ 5,311,533	\$ 604,803	\$ 199,262	\$ 88,627	\$ 369,433	\$ 2,786,488	\$ 310,457	\$ 5,083,062	\$ 5,880	\$ 17,965,818

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CERTIFIED PUBLIC ACCOUNTANTS

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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  
721 Boardman-Poland, Road., Suite 103  
Boardman, Ohio 44512

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, 2020, and the related notes to the financial statements, which collectively comprise the Organization's financial statements and have issued our report thereon dated July 30, 2021, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Organization. Also, the Organization adopted new accounting guidance in Governmental Accounting Standards Board Statement 84, "*Fiduciary Activities*".

***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 & ASSOCIATES**

Poland, Ohio

July 30, 2021

# OHIO AUDITOR OF STATE KEITH FABER



**NORTH EAST OHIO NETWORK**

**MAHONING COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 10/5/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)