



**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2009 AND 2010**



**Mary Taylor, CPA**  
Auditor of State



**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

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# Mary Taylor, CPA

Auditor of State

Northwest Ohio Waiver Administration Council  
Defiance County  
1804 Elmwood Drive  
Defiance, Ohio 43512-2511

To the Members of Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Mary Taylor, CPA**  
Auditor of State

October 20, 2010

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Northwest Ohio Waiver Administration Council  
Defiance County  
1804 Elmwood Drive  
Defiance, Ohio 43512-2511

To the Members of Council:

We have audited the accompanying financial statements of Northwest Ohio Waiver Administration Council, Defiance County, (NOWAC) as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of NOWAC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, NOWAC has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting NOWAC's larger (i.e. major) funds separately. While NOWAC does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. NOWAC has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2010 and 2009, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of NOWAC as of June 30, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of NOWAC, Defiance County, as of June 30, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

NOWAC has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2010, on our consideration of NOWAC'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

October 20, 2010



**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2010**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Interest Income	\$ 20,778	\$ 7,738	\$ 28,516
Supported Living Administration	30,566		30,566
County Waiver Administration	139,800		139,800
Day Services Administration	4,825		4,825
Support Service Administration	69,793		69,793
Accreditation Readiness	2,475		2,475
Waiver Billing Service	5,700		5,700
Major Unusual Incidents (MUI) - Counties	87,390		87,390
IA Services	24,885		24,885
Waiver Administration Claims	44,782		44,782
Provider Liability Ins/ Training	835		835
Targeted Case Management Quality Assurance	12,298		12,298
Targeted Case Management Billing Service	9,377		9,377
Membership Fees	3,000		3,000
Training Fees	17,150		17,150
File Review	2,171		2,171
Northwest Ohio Affordable House	10,610		10,610
Supported Living - Counties		456,259	456,259
Newsletter Advertisements	650		650
Reimbursement - Supported Services		9,256	9,256
Waiver Reimbursements - Counties		4,324	4,324
Waiver Reconciliation - Counties		80,805	80,805
Habilitation Income		2,830,212	2,830,212
Patient Liability		611	611
Other		450	450
<b>Total Cash Receipts</b>	<b>487,085</b>	<b>3,389,655</b>	<b>3,876,740</b>
<b>Cash Disbursements:</b>			
Salaries/Fringes	447,630		447,630
Insurance	3,299		3,299
Rent/Utilities	23,239		23,239
Supplies	8,958		8,958
Equipment	4,270		4,270
Travel	16,038		16,038
Training/Meeting Expense	3,649		3,649
Conference/ Training	3,473		3,473
Tuition Reimbursement	325		325
MUI Contract Services	223		223
Habilitation Contract Services		2,746,729	2,746,729
Habilitation Waiver Match		5,258	5,258
Provider Services		86,365	86,365
OBRA Room and Board		8,512	8,512
Waiver and Supported Living Administration - Counties		138,566	138,566
Waiver Pledge and Local Match - Counties		399,768	399,768
Rental Assistance		14,684	14,684
Ohio Department of Developmental Disabilities Administrative Fees		34,527	34,527
Other	1,774	626	2,400
<b>Total Cash Disbursements</b>	<b>512,878</b>	<b>3,435,035</b>	<b>3,947,913</b>
<b>Total Cash Disbursements Over Cash Receipts</b>	(25,793)	(45,380)	(71,173)
Fund Cash Balances, July 1	85,251	2,069,604	2,154,855
<b>Fund Cash Balances, June 30</b>	<b>\$ 59,458</b>	<b>\$ 2,024,224</b>	<b>\$ 2,083,682</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Interest Income	\$ 41,269	\$ 13,833	\$ 55,102
Supported Living Administration	40,600		40,600
County Waiver Administration	122,646		122,646
Day Services Administration	3,825		3,825
Quality Assurance Reviews	2,400		2,400
Support Service Administration	52,075		52,075
Waiver Billing Service	5,600		5,600
Major Unusual Incidents (MUI) - Counties	87,390		87,390
Ohio Development Disabilities Profile	625		625
Waiver Administration Claims	42,731		42,731
Provider Liability Ins/ Training	2,330		2,330
Targeted Case Management Quality Assurance	18,953		18,953
Targeted Case Management Billing Service	747		747
Membership Fees	1,500		1,500
Contracted Technical Assistance	259		259
File Review	5,351		5,351
Northwest Ohio Affordable House	2,455		2,455
Supported Living - Counties		406,010	406,010
Reimbursement - Supported Services		8,395	8,395
Waiver Reimbursement - Counties		4,324	4,324
Waiver Reconciliation - Counties		129,285	129,285
Habilitation Income		2,490,890	2,490,890
Waiver Match Management Income		102,517	102,517
Local Funds		150,000	150,000
Patient Liability		1,520	1,520
<b>Total Cash Receipts</b>	<u>430,756</u>	<u>3,306,774</u>	<u>3,737,530</u>
<b>Cash Disbursements:</b>			
Salaries/Fringes	401,863		401,863
Insurance	3,299		3,299
Rent/Utilities	23,346		23,346
Supplies	8,691		8,691
Equipment	6,063		6,063
Travel	15,437		15,437
Training/Meeting Expense	924		924
Conference/ Training	2,628		2,628
Advertising	596		596
Tuition Reimbursement	325		325
Audit Services	4,151		4,151
MUI Contract Services	273		273
Habilitation Contract Services		2,523,239	2,523,239
Habilitation Waiver Match		55,946	55,946
Provider Services		50,675	50,675
OBRA Room and Board		8,868	8,868
Waiver and Supported Living Administration - Counties		137,201	137,201
Waiver Pledge and Local Match - Counties		557,737	557,737
Rental Assistance		50,329	50,329
Ohio Department of Developmental Disabilities Administrative Fees		33,947	33,947
File Review		827	827
Other	1,049	1,766	2,815
<b>Total Cash Disbursements</b>	<u>468,645</u>	<u>3,420,535</u>	<u>3,889,180</u>
<b>Total Cash Disbursements Over Cash Receipts</b>	(37,889)	(113,761)	(151,650)
Fund Cash Balances, July 1	123,140	2,183,365	2,306,505
<b>Fund Cash Balances, June 30</b>	<u>\$ 85,251</u>	<u>\$ 2,069,604</u>	<u>\$ 2,154,855</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Northwest Ohio Waiver Administration Council (NOWAC) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. NOWAC is a council of governments directed by a six-member Board of Council Members. The Board consists of the Superintendents of the member County Boards of Developmental Disabilities (County Boards of DD). The member County Boards of DD include: Defiance County, Fulton County, Henry County, Paulding County, Van Wert County, and Williams County. NOWAC provides quality assurance reviews for various member County Boards of DD residential programs and also administers the residential programs for the Defiance, Paulding, Van Wert and Williams County Boards of DD. NOWAC provides investigation of Major Unusual Incidents (MUIs) for the Defiance, Henry, Fulton, Paulding, Van Wert, and Williams County Boards of DD.

NOWAC's management believes these financial statements present all activities for which NOWAC is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

NOWAC uses fund accounting to segregate cash and investments that are restricted as to use. NOWAC classifies its funds into the following types:

**1. General Fund**

The General Fund (also known as the Administrative Fund) is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. NOWAC had the following significant Special Revenue Funds:

Contract Services Fund - This fund receives allocations of state and local revenues to provide residential services through contract providers for clients in Defiance, Van Wert and Williams Counties.

Day Habilitation Fund – This fund receives allocations of local revenue to provide adult day services through contract providers for clients in Defiance, Fulton and Williams Counties.

**E. Budgetary Process**

The Council annually prepares an operating budget, including estimated receipts and disbursements, for the General Fund. The Council also approves an operating budget for the Contract Services Fund and the Day Habilitation (Adult Day Services) Fund. The Council approves the budget in its final form before the beginning of each fiscal year. The Council reviews the budget throughout the year and compares it with actual results.

A summary of budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting NOWAC uses.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS**

NOWAC maintains separate demand deposit accounts for each fund and a money market account used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at June 30 follows:

	2010	2009
Demand deposits	\$1,215,835	\$887,805
Certificates of deposit	127,471	127,000
Certificates of deposit Account Registry (CDAR)	740,326	1,140,000
Cash on Hand	50	50
Total deposits	\$2,083,682	\$2,154,855

Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) pledged security.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$479,696	\$487,085	\$7,389
Special Revenue	3,228,511	3,389,655	161,144
Total	\$3,708,207	\$3,876,740	\$168,533

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$518,906	\$512,878	\$6,028
Special Revenue	3,495,075	3,435,035	60,040
Total	\$4,013,981	\$3,947,913	\$66,068

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$417,825	\$430,756	\$12,931
Special Revenue	3,300,104	3,306,774	6,670
Total	\$3,717,929	\$3,737,530	\$19,601

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007  
(Continued)**

**3. BUDGETARY ACTIVITY – (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$493,283	\$468,645	\$24,638
Special Revenue	3,581,056	3,420,535	160,521
Total	\$4,074,339	\$3,889,180	\$185,159

**4. RETIREMENT SYSTEM**

NOWAC's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For July 1, 2008 through June 30, 2010, members of OPERS contributed 10% of their gross salaries. NOWAC contributed an amount equal to 14% of participants' gross salaries for July 1, 2008 thru June 30, 2010. NOWAC has paid all contributions required through June 30, 2010.

**5. RISK MANAGEMENT**

**A. Risk Pool Membership**

NOWAC belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile, and violence coverages modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65% and is less than 80% does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007  
(Continued)**

**5. RISK MANAGEMENT – (Continued)**

	<b>2009</b>	<b>2008</b>
Assets	\$3,662,470	\$3,273,989
Liabilities	\$1,729,914	\$1,873,157
Members' Equity	\$1,932,556	\$1,400,832

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org).

**B. Other Risk Management**

Defiance County provides comprehensive property insurance.

NOWAC has obtained insurance for Employee Dishonesty coverage. The covered employees are Deb Guilford (Executive Director), Rick Edmonds (Fiscal Officer), and Michelle Vogelsong (Business Manager).

NOWAC also provides health insurance, vision coverage and dental coverage to full-time employees through Defiance County.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Northwest Ohio Waiver Administration Council  
Defiance County  
1804 Elmwood Drive  
Defiance, Ohio 43512-2511

To the Members of Council:

We have audited the financial statements of Northwest Ohio Waiver Administration, Defiance County, (NOWAC) as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated October 20, 2010, wherein we noted NOWAC prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered NOWAC's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of NOWAC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of NOWAC's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of NOWAC's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

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

We did note a certain matter not requiring inclusion in this report that we reported to NOWAC's management in a separate letter dated October 20, 2010.

We intend this report solely for the information and use of management, the audit committee, Council, and others within NOWAC. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

October 20, 2010



**Mary Taylor, CPA**  
Auditor of State

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL**

**DEFIANCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 9, 2010**