



**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402

Telephone 937-285-6677
800-443-9274

Facsimile 937-285-6688
www.auditor.state.ohio.us

REPORT OF INDEPENDENT ACCOUNTANTS

West Central Ohio Network
Shelby County
P.O. Box 379
Sidney, Ohio 45365

To the Executive Committee:

We have audited the accompanying general-purpose financial statements of the West Central Ohio Network, Shelby County, (WestCON), as of and for the years ended December 31, 1999 and 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of WestCON's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the West Central Ohio Network, Shelby County, as of December 31, 1999 and 1998, and the results of its operations, for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2000, on our consideration of WestCON's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 15, 2000

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<u>Account Group</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	
Assets:				
Equity in Pooled Cash and Investments	\$413,094	\$2,064,622	\$0	\$2,477,716
Receivables:				
Accrued Interest	15,241	0	0	15,241
Accounts Receivable	17,283	0	0	17,283
Prepaid Expenses	3,242	0	0	3,242
Fixed Assets	0	0	39,376	39,376
Total Assets	<u>\$448,860</u>	<u>\$2,064,622</u>	<u>\$39,376</u>	<u>\$2,552,858</u>
Liabilities:				
Accounts Payable	\$20,839	\$161,029	\$0	\$181,868
Accrued Wages & Benefits	11,398	0	0	11,398
Compensated Absences Payable	7,391	0	0	7,391
Total Liabilities	39,628	161,029	0	200,657
Equity:				
Investment in General Fixed Assets	\$0	\$0	\$39,376	\$39,376
Fund Balance:				0
Unreserved	409,232	1,903,593	0	2,312,825
Total Fund Equity and Other Credits	<u>409,232</u>	<u>1,903,593</u>	<u>39,376</u>	<u>\$2,352,201</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$448,860</u>	<u>\$2,064,622</u>	<u>\$39,376</u>	<u>\$2,552,858</u>

The Notes to the Financial Statements are an integral part of the above statements.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Revenues:			
Intergovernmental- Federal	\$24,886	\$0	\$24,886
Intergovernmental- State	0	1,941,895	1,941,895
Intergovernmental- Local	42,065	549,646	591,711
Interest Income	148,113	0	148,113
Administrative Fees	255,283	0	255,283
Decrease in Fair Value of Investments	0	(183,220)	(183,220)
Miscellaneous Revenue	925	68,492	69,417
	<hr/>	<hr/>	<hr/>
Total Revenues	471,272	2,376,813	2,848,085
Expenditures:			
Supported Living:			
Administrative Fee	\$0	\$187,483	\$187,483
Waiver Administration Fees	0	13,800	13,800
Contractual Service	0	1,724,829	1,724,829
Other Expenses	0	15,284	15,284
Family Resource:			
Contractual Service	0	253,491	253,491
Other Expenses	0	1,398	1,398
Residential Facility Waiver			
Administrative Fee	0	54,000	54,000
Contractual Service	0	189,087	189,087
Other Expenses	0	35,422	35,422
Administrative Expenses	443,609	0	443,609
Capital Outlay	16,596	0	16,596
	<hr/>	<hr/>	<hr/>
Total Expenditures	460,205	2,474,794	2,934,999
Excess of Revenues Over Expenditures	11,067	(97,981)	(86,914)
Fund Balance, January 1, 1999	398,165	2,001,574	2,399,739
	<hr/>	<hr/>	<hr/>
Fund Balance, December 31, 1999	\$409,232	\$1,903,593	\$2,312,825

The Notes to the Financial Statements are an integral part of the above statements.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		<u>Account Group</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	
Assets:				
Equity in Pooled Cash and Investments	\$400,291	\$2,129,700	\$0	\$2,529,991
Receivables:				
Accrued Interest	16,187	0	0	16,187
Accounts Receivable	0	0	0	0
Prepaid Expenses	2,074	0	0	2,074
Fixed Assets	0	0	22,780	22,780
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$418,552</u>	<u>\$2,129,700</u>	<u>\$22,780</u>	<u>\$2,571,032</u>
Liabilities:				
Accounts Payable	\$6,626	\$128,126	\$0	\$134,752
Accrued Wages	9,009	0	0	9,009
Compensated Absences	4,752	0	0	4,752
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	20,387	128,126	0	148,513
Equity:				
Investment in General Fixed Assets	\$0	\$0	\$22,780	\$22,780
Fund Balance:				0
Unreserved	398,165	2,001,574	0	2,399,739
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	398,165	2,001,574	22,780	\$2,422,519
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities, Fund Equity, and Other Credits	<u>\$418,552</u>	<u>\$2,129,700</u>	<u>\$22,780</u>	<u>\$2,571,032</u>

The Notes to the Financial Statements are an integral part of the above statements.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Revenues:			
Intergovernmental- Federal	\$17,094	\$0	\$17,094
Intergovernmental- State	0	1,636,495	1,636,495
Intergovernmental- Local	32,586	778,510	811,096
Interest Income	161,771	0	161,771
Administrative Fees	238,522	0	238,522
Decrease in Fair Value of Investments	0	(27,054)	(27,054)
Miscellaneous Revenue	5,946	113,993	119,939
	<hr/>	<hr/>	<hr/>
Total Revenues	455,919	2,501,944	2,957,863
Expenditures:			
Supported Living:			
Administrative Fee	\$0	\$181,597	\$181,597
Waiver Administration Fees	0	17,400	17,400
Contractual Service	0	1,435,592	1,435,592
Other Expenses	0	5,160	5,160
Family Resource:			
Contractual Service	0	315,493	315,493
Other Expenses	0	648	648
Residential Facility Waiver			
Administrative Fee	0	39,525	39,525
Contractual Service	0	221,562	221,562
Other Expenses	0	14,684	14,684
Administrative Expenses	347,285	0	347,285
Capital Outlay	6,918	0	6,918
	<hr/>	<hr/>	<hr/>
Total Expenditures	354,203	2,231,661	2,585,864
Excess of Revenues Over Expenditures	<hr/>	<hr/>	<hr/>
	101,716	270,283	371,999
Fund Balance, January 1, 1998	<hr/>	<hr/>	<hr/>
	296,449	1,731,291	2,027,740
Fund Balance, December 31, 1998	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$398,165	\$2,001,574	\$2,399,739

The Notes to the Financial Statements are an integral part of the above statements.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

NOTE 1 - REPORTING ENTITY

Reporting Entity

West Central Ohio Network, Shelby County, (WestCON), is a non-profit governmental agency known as a Council of Governments. WestCON was created by seven county boards of mental retardation and developmental disabilities in September of 1990 to administer supported living services to the counties of Auglaize, Darke, Logan, Mercer, Miami, Shelby, and Union. Hardin County is a member of WestCON for waiver services only. WestCON is governed by an executive committee of seven members that are the Superintendents of each local county board of mental retardation and developmental disabilities which is a WestCON member. At the organizational meeting of each year, which shall be held in January, the members shall elect officers of the executive committee. The officers of the committee shall be a President, Vice-President, Secretary, and Treasurer. There shall be no term limitations for WestCON committee members. The executive committee authorizes expenditures as well as serving as the contracting body and the chief administrators of public services for WestCON. The committee appoints an Executive Director of WestCON that is responsible for organizing, administering, and operating WestCON in accordance with the committee's established program.

Supported Living is a program that assists persons with MR/DD to live in the home of their choice with the supports that they need. WestCON seeks neighbors, persons in the community, and friends, to provide assistance. When a volunteer cannot be located, the individual chooses as certified provider who is paid to provide identified supports. The goal is to link the individual to persons in the community who will become long-term non-paid supports.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of West Central Ohio Network have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of WestCON's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

West Central Ohio Network uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting (Continued)

For financial statement presentation purposes, the various funds of WestCON are grouped into the following fund types under the broad fund category governmental.

Governmental Fund Types:

Government funds are those through which all governmental functions of WestCON are financed. The acquisition, use and balances of WestCON's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are WestCON's governmental fund types:

General Fund - This fund is used to account for all financial resources of the WestCON except those required to be accounted for in another fund. The general fund balance is available to WestCON for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes. WestCON has the following significant special revenue funds:

Supported Living - These funds are used for supported living services which assist persons with MR/DD to live in the home of their choice with the support required.

Family Resource Service - These funds are used to provide respite services to families which qualify for the support.

Residential Facility Waiver - These funds are used to assist persons with MR/DD for services related to a home residence.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government the following accounts group is used:

General Fixed Assets Account Group (GFAAG) - The general fixed asset account group is used to account for all fixed assets of WestCON.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The available period for WestCON is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: federal, state, and local revenue, and earnings on investments.

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. Costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

C. Cash and Cash Equivalents

To improve cash management, all cash received by WestCON is deposited into one of three bank accounts. All monies received for supported living, residential facility waiver, and administrative purposes are deposited into the Main Account. Monies received for Family Resource Services are deposited into a separate account. Transfers are made monthly to a payroll account to cover payroll expenditures. For purposes of presentation on the combined balance sheet, all investments with an original maturity of three months or less at the time they are purchased by WestCON are considered to be cash equivalents.

Monies in the Main Account are used to purchase all investments. Investment earnings are allocated to the General fund.

D. Payables

WestCON's payables are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness and valuation.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1999, or December 31, 1998, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure is reported in the year in which services are consumed.

F. Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in the governmental funds, and related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Assets in the general fixed assets account group are not depreciated.

G. Compensated Absences

WestCON follows the provisions of Government Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that WestCON will compensate employees for the benefits through time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that WestCON as identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year end, taking into consideration any limits specified in WestCON's termination policy.

WestCON records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

H. Accrued Liabilities

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. Payments made more than sixty days after year end are considered not to have been paid using current available financial resource.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(CONTINUED)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, federal, state, and local revenues, are recorded as receivables and revenues when measurable and available.

J. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

For 1998, WestCON implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement establishes accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at fair value. The adoption of this statement required a restatement of the beginning balance from the prior year as discussed in Note 4.

NOTE 4 - RESTATEMENT DUE TO PRIOR PERIOD ADJUSTMENT

The fund balances of the General Fund and Special Revenue Funds have been restated. This restatement is due to reporting of investments at market value and changes in reporting of accounts payable. The General fund was restated at January 1, 1998, from \$354,676 to \$296,449. The Special Revenue fund was restated from \$1,662,216 to \$1,731,291.

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by WestCON are classified into three categories. Active monies means an amount of public monies determined to be necessary to meet current demand upon the WestCON treasury.

Active monies must be maintained either as cash in the WestCON treasury, in commercial accounts that are payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, certificates of deposit, or in money market deposit accounts.

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. The investment agency may either deposit or invest the authorized interim monies, provided that the investments will mature or are redeemable within one to three years from the settlement date.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(CONTINUED)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Interim deposits may be invested or deposited in the following securities:

1. United States treasury notes, bonds, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for payment of principal thereof and interest thereon.
2. Bonds, notes, debenture, or other obligations or security issued by any federal government agency or instrumentality.
3. Interim deposits in eligible institutions.
4. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations. Such mutual funds must be registered as investment companies per Investment Company Act of 1940 and have the highest letter or numerical rating provided by at least one nationally recognized standard rating service.
5. Investment grade cumulative preferred stocks and investment grade corporate bonds can be purchased to a maximum of up to 25% of the total investment account asset value.

Inactive deposits are public deposits that WestCON has identified as expected to be needed for use within the current three year period of designation of depositories. The investments will mature or be redeemable within three to five years from the settlement date.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: As of December 31, 1999, the carrying amount of the WestCON's deposits was \$1,938,413 and the financial institution balance was \$2,024,523.

As of December 31, 1998, the carrying amount of the WestCON's deposits was \$1,875,022 and the financial institution balance was \$1,964,410.

The certificates of deposit were covered by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The certificate of deposit in excess of \$100,000 and the cash/money funds were covered as securities by the Securities Investor Protector Corporation (SIPC) against losses caused by the financial failure of the broker-dealer, but not against a change in market value of the securities in customer accounts at the broker-dealer. SIPC was created by the Securities Investor Protection Act of 1970 and is neither a government agency or a regulatory authority, but a nonprofit, membership corporation, funded by its member securities broker-dealers. Customers of a failed firm receive all securities registered in their names or in the process of being so registered. Customers receive, on a pro rata basis, all remaining customer cash and securities held by the firm.

After the above distribution, SIPC funds are available to satisfy the remaining claims of each customer a maximum of \$500,000, including up to \$100,000 on claims for cash (as distinct from claims for securities). Any remaining assets after payment of liquidation expenses may be available to satisfy any remaining portion of customer claims on a pro rata basis with other creditors.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(CONTINUED)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments: WestCON's investments are categorized below to give an indication of the level of risk assumed WestCON at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by WestCON or its agent in WestCON's name. Category 2 includes uninsured and unregistered investments which are held by the counterparts trust department or agent in WestCON's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in WestCON's name.

1999	Category 1	Carrying Value	Market Value
Corporate Preferred Stocks	\$489,608	\$489,608	\$489,608
U.S. Treasury Notes	<u>49,695</u>	<u>49,695</u>	<u>49,695</u>
Total	<u>\$539,303</u>	<u>\$539,303</u>	<u>\$539,303</u>

1998	Category 1	Carrying Value	Market Value
Corporate Preferred Stocks	\$604,133	\$604,133	\$604,133
U.S. Treasury Notes	<u>50,836</u>	<u>50,836</u>	<u>50,836</u>
Total	<u>\$654,969</u>	<u>\$654,969</u>	<u>\$654,969</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

1999	Cash and Cash Equivalents	Investments
GASB 9 Statement	\$2,477,716	
Investments:		
Corporate Preferred Stock	(489,608)	\$489,608
U.S. Treasury Notes	<u>(49,695)</u>	<u>49,695</u>
GASB 3 Statement	<u>\$1,938,413</u>	<u>\$539,303</u>

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(CONTINUED)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

1998	Cash and Cash Equivalents	Investments
GASB 9 Statement	\$2,529,991	
Investments:		
Corporate Preferred Stock	(604,133)	\$604,133
U.S. Treasury Notes	<u>(50,836)</u>	<u>50,836</u>
GASB 3 Statement	<u>\$1,875,022</u>	<u>\$654,969</u>

NOTE 6 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance at December 31, 1998	Additions	Deletions	Balance at December 31, 1999
Machinery and Equipment	\$22,780	\$16,596	\$0	\$39,376

A summary of the changes in general fixed assets during fiscal year 1998 follows:

	Balance at December 31, 1997	Additions	Deletions	Balance at December 31, 1998
Machinery and Equipment	\$15,862	\$6,918	\$0	\$22,780

NOTE 7 - OPERATING LEASE

WestCON leases office space for \$1,380 a month. The lease expires January 21, 2000.

NOTE 8 - RISK MANAGEMENT

WestCON maintains general liability coverage in the amount of \$2,000,000 for each occurrence and \$5,000,000 in aggregate. WestCON also carries \$500,000 in employee benefit liability coverage.

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The premium is calculated based upon accident history and administrative costs.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(CONTINUED)**

NOTE 8 - RISK MANAGEMENT (Continued)

WestCON provides health insurance for all full-time employees. WestCON provides health insurance benefits through a private carrier, United Health Care of Ohio. WestCON pays \$225.00 of coverage per month per employee. Employees wishing to add additional dependents costing above the \$225.00 must have the additional amount deducted from their pay. WestCON also offers optional dental insurance through Star Mark, Inc. Dental coverage premiums are deducted from the employee's pay.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims, resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE 9 - DEFINED BENEFIT PENSION PLAN

Public Employees Retirement System

All WestCON employees participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer retirement system administered by the Public Employees Retirement Board. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and WestCON is required to contribute 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. WestCON's required contributions for to PERS for the years ended December 31, 1999, 1998, and 1997 were \$38,412, \$22,309 and \$16,826, respectively. The full amount has been contributed for 1998 and 1997. 90 percent has been contributed for fiscal year 1999 with the remainder being reported as a liability.

NOTE 10 - POSTEMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEM) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 1998 and 1999 employer contribution rate was 13.55 percent of covered payroll for employees; 4.2 percent was the portion that was used to fund health care for the year 1999 and 1998.

For 1999, benefits were funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(CONTINUED)**

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

During 1999 and 1998, OPEB expenditures made by PERS were \$523,599,349 and \$440,596,663 respectively. As of December 31, 1999 and 1998, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641 and \$9,447,325,318 respectively. At December 31, 1999 and 1998, the total number of benefit recipients eligible for OPEB through PERS was 118,062 and 115,579 respectively. WestCON's actual contributions for 1999 which were used to fund OPEB were \$5,878. WestCON's actual contributions for 1998 which were used to fund OPEB were \$5,878.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.ohio.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

West Central Ohio Network
Shelby County
P.O. Box 379
Sidney, Ohio 45365

To the Members of the Executive Committee:

We have audited the financial statements of the West Central Ohio Network, Shelby County (WestCON), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether WestCON's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of WestCON in a separate letter dated June 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered WestCON's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect WestCON's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-60275-001 and 1999-60275-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1999-60275-001 and 1999-60275-002 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of WestCON in a separate letter dated June 15, 2000.

This report is intended for the information and use of the management and Executive Committee, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 15, 2000

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	1999-60275-001
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Accounts Payable Reporting

West Central Ohio Network prepares its general purpose financial statements in accordance with the modified accrual basis of accounting for governmental funds. Under this basis, all goods or services received prior to December 31, but unpaid as of the balance sheet date, should be recorded as a liability for accounts payable on the balance sheet. Our calculation of the accounts payable liability as of December 31, 1999 and 1998, determined that the liability reported on the financial statements was understated by \$25,261.57 for 1999 and \$26,007.72 for 1998. These amounts were adjusted on the financial statements for both years in order to properly record WestCON's current liabilities.

This error in the reported accounts payable liability was caused by WestCON's failure to properly use their software program for recording accounts payable items. The Business Manager performed a manual calculation to determine the accounts payable liability at year-end; however, the liability only included the January expenditures paid in each subsequent year and excluded items paid in the following months. The failure to utilize the accounts payable program correctly is a significant weakness in WestCON's financial reporting process and can have an adverse effect on future financial reporting and operations. WestCON should determine the proper procedures to record accounts payable data in the accounting system and the Business Manager should review the recorded payable amounts to ensure their accuracy for financial reporting.

Finding Number	1999-60275-002
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Investment of Funds

WestCON had significant amounts invested in corporate securities during the audit period in accordance with their investment policy. According to GASB 31, the effect of a decline in market value must be reflected on the government's financial statements. WestCON's year-end investment statements showed a large decline in market value for some of these securities. As of December 31, 1999, the decline in the market value of the investments was greater than the amount of interest earned on all investments for the year. The net change in the fair value of investments reported on WestCON's income statement represents a material decline in their total assets which may be permanent. Our review of WestCON's investment portfolio determined that a large portion of the entity's loss is related to investments in real estate preferred stock. The investment of public funds in this type of corporate securities puts those funds at risk as market factors change. WestCON's Executive Committee should periodically evaluate the market value of their investment portfolio and the interest income earned. In addition, the Executive Committee should consider modifying their investment portfolio and investing the public funds in lower risk investments which will maintain their face value.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

WEST CENTRAL OHIO NETWORK

SHLEBY 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
AUGUST 22, 2000**