



**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2007 AND 2008**



**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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

December 4, 2008

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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, 2008 and 2007. 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, 2008 and 2007, 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, 2008 and 2007, 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, 2008 and 2007, 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 December 4, 2008, 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

December 4, 2008



**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, 2008**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Interest Income	\$ 72,951	\$ 26,658	\$ 99,609
Supported Living Administration	62,708		62,708
County Waiver Administration	88,800		88,800
Day Services Administration	1,267		1,267
Quality Assurance Reviews	11,056		11,056
Waiver Billing Service	5,365		5,365
Major Unusual Incidents (MUI) - Counties	87,500		87,500
Waiver Administration Claims	43,855		43,855
Provider Liability Ins/ Training	1,690		1,690
Targeted Case Management	18,189		18,189
Membership Fees	1,500		1,500
Other Revenues	10		10
Habilitation Income		2,449,282	2,449,282
Supported Living - Counties		632,479	632,479
Reimbursement - Supported Services		8,340	8,340
Waiver Reimbursement - Counties		38,161	38,161
Reimbursement Provider Services/ Other - Van Wert County		420,851	420,851
Van Wert County - Local Waiver Funds		150,000	150,000
Total Cash Receipts	394,891	3,725,771	4,120,662
<b>Cash Disbursements:</b>			
Salaries/Fringes	356,833		356,833
Insurance	3,842		3,842
Rent/Utilities	23,594		23,594
Supplies	8,862		8,862
Equipment	7,724		7,724
Travel	10,747		10,747
Training/Meeting Expense	1,312		1,312
Conference/ Training	2,606		2,606
Advertising	528		528
Tuition Reimbursement	728		728
MUI Contract Services	358		358
Medicaid Nursing Quality Assurance	3,909		3,909
Miscellaneous	287		287
Habilitation Expenditures		2,359,773	2,359,773
Provider Services		313,041	313,041
OBRA Room and Board		8,386	8,386
Waiver and Supported Living Administration - Counties		151,508	151,508
Waiver Pledge and Local Match - Counties		616,351	616,351
Rental Assistance		50,667	50,667
Ohio Department of MRDD Administrative Fees		6,240	6,240
Targeted Case Management (TCM) Local Match		69,019	69,019
Other		274	274
Total Cash Disbursements	421,330	3,575,259	3,996,589
Total Cash Receipts Over/(Under) Cash Disbursements	(26,439)	150,512	124,073
Fund Cash Balances, July 1	149,579	2,032,853	2,182,432
<b>Fund Cash Balances, June 30</b>	<b>\$ 123,140</b>	<b>\$ 2,183,365</b>	<b>\$ 2,306,505</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, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Interest Income	\$ 72,504	\$ 24,182	\$ 96,686
Supported Living Administration	62,707		62,707
County Waiver Administration	84,300		84,300
Quality Assurance Reviews	10,400		10,400
Waiver Billing Service	5,116		5,116
Major Unusual Incidents (MUI) - Counties	84,050		84,050
Waiver Administration Claims	70,486		70,486
Provider Liability Ins/ Training	4,235		4,235
Targeted Case Management	52,132		52,132
Membership Fees	1,500		1,500
Habilitation Income		2,084,296	2,084,296
Supported Living - Counties		632,479	632,479
Reimbursement - Supported Services		8,382	8,382
Waiver Reimbursement - Counties		42,728	42,728
Reimbursement Provider Services/ Other - Van Wert County		418,696	418,696
Van Wert County - Local Waiver Funds		200,000	200,000
Total Cash Receipts	<u>447,430</u>	<u>3,410,763</u>	<u>3,858,193</u>
<b>Cash Disbursements:</b>			
Salaries/Fringes	371,776		371,776
Insurance	7,686		7,686
Rent/Utilities	22,232		22,232
Audit Services	3,766		3,766
Supplies	8,235		8,235
Equipment	7,146		7,146
Travel	13,398		13,398
Training/Meeting Expense	2,421		2,421
Conference/ Training	2,258		2,258
Advertising	35		35
Tuition Reimbursement	1,310		1,310
MUI Contract Services	11,667		11,667
Miscellaneous	316		316
Habilitation Expenditures		2,111,187	2,111,187
Provider Services		418,933	418,933
OBRA Room and Board		8,488	8,488
Waiver and Supported Living Administration - Counties		147,009	147,009
Waiver Pledge and Local Match - Counties		715,476	715,476
Rental Assistance		36,275	36,275
Other		3,060	3,060
Total Cash Disbursements	<u>452,246</u>	<u>3,440,428</u>	<u>3,892,674</u>
Total Cash Disbursements Over Cash Receipts	(4,816)	(29,665)	(34,481)
Fund Cash Balances, July 1	154,395	2,062,518	2,216,913
<b>Fund Cash Balances, June 30</b>	<u><u>\$ 149,579</u></u>	<u><u>\$ 2,032,853</u></u>	<u><u>\$ 2,182,432</u></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, 2008 AND 2007**

**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 Mental Retardation and Developmental Disabilities (County Boards of MR/DD). The member County Boards of MR/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 MR/DD residential programs and also administers the residential programs for the Defiance, Van Wert and Williams County Boards of MR/DD. NOWAC provides investigation of Major Unusual Incidents (MUIs) for the Defiance, Henry, Fulton, Paulding, Van Wert, and Williams County Boards of MR/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 Fund**

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 CASH**

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:

Demand deposits	\$814,455	\$674,382
Certificates of deposit	127,000	627,000
Certificates of deposit Account Registry (CDAR)	1,365,000	881,000
Cash on Hand	50	50
Total deposits	<u>\$2,306,505</u>	<u>\$2,182,432</u>

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, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$419,524	\$394,891	(\$24,633)
Special Revenue	3,483,835	3,725,771	241,936
Total	<u>\$3,903,359</u>	<u>\$4,120,662</u>	<u>\$217,303</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$462,230	\$421,330	\$40,900
Special Revenue	3,411,672	3,575,259	(163,587)
Total	<u>\$3,873,902</u>	<u>\$3,996,589</u>	<u>(\$122,687)</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$462,859	\$447,430	(\$15,429)
Special Revenue	3,421,459	3,410,763	(10,696)
Total	<u>\$3,884,318</u>	<u>\$3,858,193</u>	<u>(\$26,125)</u>

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

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

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

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$466,142	\$452,246	\$13,896
Special Revenue	3,521,300	3,440,428	80,872
Total	\$3,987,442	\$3,892,674	\$94,768

**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, 2006, through December 31, 2006, members of OPERS contributed 9.0% of their gross salaries. For January 1, 2007, through December 31, 2007, members of OPERS contributed 9.5% of their gross salaries. For January 1, 2008 through June 30, 2008 members of OPERS contributed 10% of their gross salaries. NOWAC contributed an amount equal to 13.70% of participants' gross salaries for July 1, 2006, through December 31, 2006; 13.85% of participants' gross salaries for January 1, 2007, through December 31, 2007. NOWAC contributed 14% of participants' gross salaries for January 1, 2008, through June 30, 2008. NOWAC has paid all contributions required through June 30, 2008.

**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.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

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

**5. RISK MANAGEMENT – (Continued)**

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<b>2007</b>	<b>2006</b>
Assets	\$2,646,185	\$1,730,236
Liabilities	\$1,621,941	\$941,026
Members' Equity	\$1,024,244	\$789,210

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 Council, Defiance County, (NOWAC) as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated December 4, 2008, 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects NOWAC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that NOWAC's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that NOWAC's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to NOWAC's management in a separate letter dated December 4, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

December 4, 2008



**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  
DECEMBER 24, 2008**