



Dave Yost • Auditor of State

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL
DEFIANCE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Fiscal Year Ended June 30, 2016.....	3
Notes to the Financial Statements Fiscal Year Ended June 30, 2016	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types – For the Fiscal Year Ended June 30, 2015.....	11
Notes to the Financial Statements Fiscal Year Ended June 30, 2015	12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Northwest Ohio Waiver Administration Council
Defiance County
815 East Second Street, Suite B
Defiance, Ohio 43512-2308

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of Northwest Ohio Waiver Administration Council, Defiance County, Ohio (NOWAC) as of and for the years ended June 30, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements 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 requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to NOWAC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of NOWAC's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, NOWAC prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting

principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though NOWAC does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of NOWAC as of June 30, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Northwest Ohio Waiver Administration Council, Defiance County, Ohio as of June 30, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2017, 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. 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 NOWAC's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 20, 2017

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Interest Income	\$2,964	\$5,701	\$8,665
County Waiver Administration	51,500		51,500
Support Services Administration	91,634		91,634
Waiver Billing Service	5,230		5,230
Major Unusual Incidents (MUI) - Counties	87,500		87,500
Waiver/Medicaid Administration Claims	183,814		183,814
Provider Liability Insurance/Training	225		225
Targeted Case Management Billing Service	10,478		10,478
Membership Fee	21,000		21,000
Training Fees	12,435		12,435
File/Waiver Review	4,500		4,500
Northwest Ohio Affordable Housing	7,949		7,949
Reimbursement - Supported Services	57,591		57,591
Waiver Reimbursements - Counties		57,251	57,251
Local Funds - Contract		2,267,151	2,267,151
Nursing Services	827		827
Document Imaging	16,698		16,698
PLAY Project	8,222		8,222
OEDI/COEDI	1,005		1,005
Financial Functions	2,007		2,007
Waiver Technical Support	641		641
Family Support Services	3,420		3,420
Cost Settlement	28,362		28,362
Other	6,501	570	7,071
<i>Total Cash Receipts</i>	<u>604,503</u>	<u>2,330,673</u>	<u>2,935,176</u>
Cash Disbursements			
Salaries/Fringes	523,016		523,016
Insurance	4,284		4,284
Rent/Utilities	27,887		27,887
Supplies	9,030		9,030
Equipment	15,950		15,950
Travel	13,734		13,734
Training/Meeting Expense	924		924
Conference/Training	1,966		1,966
MUI Contract Services	310		310
Contracted Nursing Services	3,590		3,590
Contracted Family Support Services		93,164	93,164
Contracted Services - PLAY Project	6,977		6,977
Habilitation Contract Services		220,103	220,103
Provider Services		18,969	18,969
OBRA Room and Board		2,181	2,181
Waiver and Supporting Living Administration - Counties		22,900	22,900
Waiver Pledge and Local Match - Counties		1,394,661	1,394,661
Rental Assistance		6,391	6,391
Ohio Department of Developmental Disabilities Administrative Fees	10,695	20,942	31,637
Other	774	17,248	18,022
<i>Total Cash Disbursements</i>	<u>619,137</u>	<u>1,796,559</u>	<u>2,415,696</u>
<i>Net Change in Fund Cash Balances</i>	(14,634)	534,114	519,480
<i>Fund Cash Balances, July 1</i>	<u>512,429</u>	<u>1,885,486</u>	<u>2,397,915</u>
Fund Cash Balances, June 30			
Committed		2,419,600	2,419,600
Unassigned	497,795		497,795
<i>Fund Cash Balances, June 30</i>	<u>\$497,795</u>	<u>\$2,419,600</u>	<u>\$2,917,395</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, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Northwest Ohio Waiver Administration Council, Defiance County, is a body politic and corporate 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 seven-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, Putnam 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 Paulding, Van Wert and Williams County Boards of DD. NOWAC provides investigation of Major Unusual Incidents(MUIs) for the Defiance, Henry, Fulton, Paulding, Putnam, Van Wert, and Williams County Boards of DD.

NOWAC participates in the Ohio School Plan and the Northern Buckeye Health Plan – Northwest Division of Optimal Health Initiative Consortium public entity risk pools. Note 5 to the financial statements provide additional information for these entities.

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 accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. NOWAC recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

NOWAC's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

NOWAC uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of NOWAC are presented below:

1. General Fund

The General Fund (also known as the Administrative Fund) accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to NOWAC for any purpose provided it is expended or transferred according to the general laws of Ohio.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. 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 and Williams Counties.

E. Budgetary Process

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

A summary of 2016 budgetary activity appears in Note 3.

F. Capital Assets

NOWAC records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

H. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which NOWAC must observe constraints imposed upon use if its governmental-fund resources. The classifications are as follows:

1. Nonspendable

NOWAC classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

3. Committed

The Board can *commit* amounts via formal action (resolution). NOWAC must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specially committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by the NOWAC Board or a NOWAC official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

NOWAC applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

2. Equity in Pooled Deposits

NOWAC maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at June 30 was as follows:

	2016
Demand deposits	\$31,412
Other time deposits (savings)	2,885,933
Petty Cash	50
Total deposits	\$2,917,395

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to NOWAC.

3. Budgetary Activity

Budgetary activity for the fiscal year ending June 30, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$600,546	\$604,503	\$3,957
Special Revenue	3,173,237	2,330,673	(842,564)
Total	\$3,773,783	\$2,935,176	(\$838,607)

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$636,149	\$619,137	\$17,012
Special Revenue	2,987,871	1,796,559	1,191,312
Total	\$3,624,020	\$2,415,696	\$1,208,324

4. Defined Benefit Pension Plan

Ohio Public Employees Retirement System

NOWAC's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10% of their gross salaries and NOWAC contributed an amount equaling 14% of participants' gross salaries. NOWAC has paid all contributions required through June 30, 2016.

5. Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

6. Risk Management

A. Risk Pool Membership

Ohio School Plan

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 300 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 responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accept accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014 (the latest information available):

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

	2015	2014
Assets	\$9,313,853	\$7,974,679
Liabilities	3,956,512	2,780,801
Members' Equity	5,357,341	\$5,193,878

You can read the audited financial statements for The Ohio School Plan at the Plan's website, www.ohioschoolplan.org.

Employee Insurance Benefits Program

NOWAC participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP) – Northwest Division of Optimal Health Initiative Consortium (OHI), Insurance Benefits Program (the Program). NBHP is a joint self insurance arrangement created pursuant to the authority in Ohio Revised Code Section 9.833. The Program is a public entity shared risk pool consisting of educational and other eligible governmental entities throughout the State. NOWAC pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, vision, and life insurance. NBHP is responsible for the management and operations of the Program. The agreement with NBHP provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

B. Other Risk Management

NOWAC has obtained comprehensive property insurance through a private carrier and an employee dishonesty blanket bond.

7. Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which NOWAC is bound to observe constraints imposed upon use of the resources in the government funds. The constraints placed on fund balance for the governmental fund types are presented below:

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

Fund Balances	Governmental Fund Types		Total
	General	Special Revenue	
<i>For the year ended June 30, 2016:</i>			
Committed for			
Contract Services		\$559,155	\$559,155
Day Habilitation		224,755	224,755
Family Support Services		53,042	53,042
Waiver Match Management		1,582,648	1,582,648
<i>Total Committed</i>		<u>2,419,600</u>	<u>2,419,600</u>
Unassigned	\$497,795		497,795
<i>Total Fund Balances</i>	<u>\$497,795</u>	<u>\$2,419,600</u>	<u>\$2,917,395</u>

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**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Interest Income	\$2,918	\$2,882	\$5,800
County Waiver Administration	57,000		57,000
Support Services Administration	124,271		124,271
Waiver Billing Service	4,115		4,115
Major Unusual Incidents (MUI) - Counties	84,000		84,000
IA Services	427		427
Waiver/Medicaid Administration Claims	175,001		175,001
Provider Liability Insurance/Training	300		300
Targeted Case Management Billing Service	10,434		10,434
Membership Fee	21,000		21,000
Training Fees	13,208		13,208
Northwest Ohio Affordable Housing Reimbursement - Supported Services	8,071		8,071
Waiver Reimbursements - Counties	56,565	76,675	56,565
Local Funds - Contract		3,653,000	3,653,000
Nursing Services	383		383
Document Imaging	33,271		33,271
PLAY Project	118		118
Family Support Services	6,600		6,600
Other	9,332		9,332
<i>Total Cash Receipts</i>	<u>607,014</u>	<u>3,732,557</u>	<u>4,339,571</u>
Cash Disbursements			
Salaries/Fringes	555,412		555,412
Insurance	4,265		4,265
Rent/Utilities	27,833		27,833
Supplies	9,763		9,763
Equipment	17,576		17,576
Travel	12,748		12,748
Training/Meeting Expense	1,397		1,397
Conference/Training	3,129		3,129
MUI Contract Services	169		169
Contracted Nursing Services	2,096		2,096
Contracted Family Support Services		144,205	144,205
Contracted Services - PLAY Project	4,155		4,155
Habilitation Contract Services		1,796,841	1,796,841
Provider Services		63,846	63,846
OBRA Room and Board		9,379	9,379
Waiver and Supporting Living Administration - Counties		30,400	30,400
Waiver Pledge and Local Match - Counties		1,075,651	1,075,651
Rental Assistance		18,318	18,318
Ohio Department of Developmental Disabilities Administrative Fees	8,750	39,182	47,932
Audit Fees	4,346		4,346
Other	955	6,774	7,729
<i>Total Cash Disbursements</i>	<u>652,594</u>	<u>3,184,596</u>	<u>3,837,190</u>
<i>Net Change in Fund Cash Balances</i>	(45,580)	547,961	502,381
<i>Fund Cash Balances, July 1</i>	<u>558,009</u>	<u>1,337,525</u>	<u>1,895,534</u>
Fund Cash Balances, June 30			
Committed		1,885,486	1,885,486
Assigned	35,603		35,603
Unassigned	<u>476,826</u>		<u>476,826</u>
<i>Fund Cash Balances, June 30</i>	<u>\$512,429</u>	<u>\$1,885,486</u>	<u>\$2,397,915</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, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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These statements include adequate disclosure of material matters, the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

2. Special Revenue Funds

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

A summary of 2015 budgetary activity appears in Note 3.

F. Capital Assets

NOWAC records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

H. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which NOWAC must observe constraints imposed upon use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

NOWAC classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

3. Committed

The Board can *commit* amounts via formal action (resolution). NOWAC must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specially committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by the NOWAC Board or a NOWAC official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

NOWAC applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

2. Deposits

NOWAC maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at June 30 was as follows:

	<u>2015</u>
Demand deposits	\$26,139
Other time deposits (savings)	2,371,726
Petty cash	50
Total deposits	<u><u>\$2,397,915</u></u>

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to NOWAC.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

3. Budgetary Activity

Budgetary activity for the fiscal year ending June 30, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$602,520	\$607,014	\$4,494
Special Revenue	3,923,882	3,732,557	(191,325)
Total	\$4,526,402	\$4,339,571	(\$186,831)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$660,073	\$652,594	\$7,479
Special Revenue	3,883,085	3,184,596	698,489
Total	\$4,543,158	\$3,837,190	\$705,968

4. Defined Benefit Pension Plan

Ohio Public Employees Retirement System

NOWAC's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015, OPERS members contributed 10% of their gross salaries and NOWAC contributed an amount equaling 14% of participants' gross salaries. NOWAC has paid all contributions required through June 30, 2016.

5. Postemployment Benefits

OPERS offers is a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

6. Risk Management

A. Risk Pool Membership

Ohio School Plan

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 300 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio revised Code, the Plan is deemed a separate legal entity.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

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 responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accept accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014:

	2015	2014
Assets	\$9,313,853	\$7,974,679
Liabilities	3,956,512	2,780,801
Members' Equity	5,357,341	\$5,193,878

You can read the audited financial statements for The Ohio School Plan at the Plan's website, www.ohioschoolplan.org.

Employee Insurance Benefits Program

NOWAC participates in a group health insurance pool through the Northern Buckeye Health Plan (NBHP) – Northwest Division of Optimal Health Initiative Consortium (OHI), Insurance Benefits Program (the Program). NBHP is a joint self insurance arrangement created pursuant to the authority in Ohio Revised Code Section 9.833. The Program is a public entity shared risk pool consisting of educational and other eligible governmental entities throughout the State. NOWAC pays monthly premiums to NBHP for the benefits offered to its employees, which includes health, dental, vision, and life insurance. NBHP is responsible for the management and operations of the Program. The agreement with NBHP provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

B. Other Risk Management

NOWAC has obtained comprehensive property insurance through a private carrier and an employee dishonesty blanket bond.

7. Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which NOWAC is bound to observe constraints imposed upon use of the resources in the government funds. The constraints placed on fund balance for the governmental fund types are presented below:

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)**

Fund Balances	Governmental Fund Types		Total
	General	Special Revenue	
<i>For the year ended June 30, 2015:</i>			
Committed for			
Contract Services		\$505,090	\$505,090
Day Habilitation		176,020	176,020
Family Support Services		126,721	126,721
Waiver Match Management		1,077,655	1,077,655
<i>Total Committed</i>		<u>1,885,486</u>	<u>1,885,486</u>
Assigned for			
Subsequent year appropriations	\$35,603		35,603
<i>Total Assigned</i>	<u>35,603</u>		<u>35,603</u>
Unassigned	476,826		476,826
<i>Total Fund Balances</i>	<u>\$512,429</u>	<u>\$1,885,486</u>	<u>\$2,397,915</u>

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INDEPENDENT AUDITOR'S 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
815 East Second Street, Suite B
Defiance, Ohio 43512-2308

To the Members of the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Northwest Ohio Waiver Administration Council, Defiance County, Ohio (NOWAC) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated June 20, 2017 wherein we noted NOWAC followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered NOWAC's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of NOWAC's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of NOWAC's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of NOWAC's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering NOWAC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

June 20, 2017

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Significant Deficiency – Fund Balance Classifications

Governmental Accounting Standards Board (GASB) Statement No. 54 established criteria for reporting governmental fund balances based on constraints placed upon the use of resources reported in the governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

NOWAC lacked a policy regarding financial review which contributed to a material posting discrepancy, occurring without detection. At June 30, 2015, the General Fund's appropriations exceeded estimated receipts for the subsequent year, and as such, this excess should have been reported as assigned fund balance instead of unassigned fund balance in accordance with GASB Statement No. 54. This overstated the unassigned fund balance and understated the assigned fund balance in the General Fund by \$35,603. The accompanying financial statements have been adjusted to correct this error.

In order to ensure NOWAC's governmental fund balances are reported in accordance with GASB No. 54, we recommend the Board review Auditor of State Bulletin 2011-004 and monitor the financial statements for inclusion of the GASB 54 disclosures.

Officials' Response:

We did not receive a response from Officials to the finding reported above.

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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
JULY 11, 2017**