



OHIO AUDITOR OF STATE
KEITH FABER



**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

West Central Ohio Network
Shelby County
315 East Court Street
Sidney, Ohio 45365

To the Executive Council:

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 the West Central Ohio Network, Shelby County, Ohio (WestCON) as of and for the years ended December 31, 2017 and 2016.

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 WestCON'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 WestCON's internal control. Accordingly, we express no such 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.

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

As described in Note 1 of the financial statements, WestCON 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 WestCON 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 WestCON as of December 31, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of WestCON, Shelby County as of December 31, 2017 and 2016, 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 February 22, 2019, 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 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 WestCON's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

February 22, 2019

West Central Ohio Network
Shelby County
Statement of Receipts, Disbursements,
and Changes in Fund Balance (Cash Basis)
Governmental Fund Type
For the Year Ended December 31, 2017

	General
Cash Receipts	
Member Contributions for Services	\$445,636
Membership Fee	88,000
Intergovernmental	200,433
Investment Income	7,425
Miscellaneous	31,755
<i>Total Cash Receipts</i>	<i>773,249</i>
Cash Disbursements	
Administrative Fees	874,444
Member Service Expenses	58,893
<i>Total Cash Disbursements</i>	<i>933,337</i>
<i>Excess of Receipts (Under) Disbursements</i>	<i>(160,088)</i>
Other Financing Disbursements	
Transfers Out	(655)
Loss on sale of investments	(36,862)
Purchased Accrued Interest Adjustments	(575)
<i>Total Other Financing Disbursements</i>	<i>(38,092)</i>
<i>Net Change in Fund Cash Balance</i>	<i>(198,180)</i>
<i>Fund Cash Balance, January 1</i>	<i>846,662</i>
Fund Cash Balance, December 31	
Unassigned	648,482
<i>Fund Cash Balance, December 31</i>	<i>\$648,482</i>

See accompanying notes to the financial statements.

**West Central Ohio Network
Shelby County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2017**

	Fiduciary Fund Type Agency
Operating Cash Receipts	
County Board Contribution	246,865
Critical Needs	120,451
Family Support Services	60,761
Home Choice	38,000
Room & Board	60,916
Supported Living	1,715,322
Waiver Match	12,096,497
Investment Income	26,856
<i>Total Operating Cash Receipts</i>	14,365,668
Operating Cash Disbursements	
County Board Contribution	478,726
Community First	18,533
Critical Needs	347,508
Family Support Services	101,077
Home Choice	11,705
Room & Board	35,451
Supported Living	992,964
Waiver Match	9,953,159
<i>Total Operating Cash Disbursements</i>	11,939,123
<i>Operating Income</i>	2,426,545
Non-Operating Receipts (Disbursements)	
Transfers In	655
Gain (Loss) on sale of investments	(107,363)
Purchased Accrued Interest Adjustment	(1,678)
<i>Total Non-Operating Receipts (Disbursements)</i>	(108,386)
<i>Net Change in Fund Cash Balances</i>	2,318,159
<i>Fund Cash Balances, January 1</i>	6,266,080
<i>Fund Cash Balances, December 31</i>	\$8,584,239

See accompanying notes to the financial statements.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the West Central Ohio Network Council of Governments, Shelby County, (WestCON) as a body corporate and politic under Chapter 167 of the Ohio Revised Code. WestCON commenced operations In September 1990. WestCON is governed by a nine member board consisting of the Superintendents of the member County Boards of Developmental Disabilities. The participating subdivisions are: Auglaize, Darke, Hardin, Logan, Mercer, Miami, Preble, Shelby and Union counties.

WestCON provides a financial function for its members to provide the best possible services to the persons with developmental disabilities. WestCON receives obligated financial support from its memberS. WestCON pays for member county obligations and other related services to and for persons with developmental disabilities enrolled in its member boards.

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

B. Accounting Basis

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. The Board 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. Basis of Presentation

WestCON's financial statements consist of a statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all fiduciary fund types which are organized on a fund type basis.

D. Deposits and Investments

WestCON'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.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

E. Fund Accounting

WestCON 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. WestCON classifies its funds into the following types:

i. General Fund

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

ii. Fiduciary Funds

Fiduciary funds include agency funds.

Agency Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. WestCON disburses these funds as directed by the individual, organization or other government. WestCON's agency funds at the end of 2017 consisted of a percentage of county board of developmental disabilities waiver match funds, state reconciliation funds, state subsidy payments paid to WestCON of behalf of member county boards, and residual funds from the above mentioned types from previous years. The member contributions were used to make State Medicaid match payments and other state required payments on behalf of the county boards indicated by approved invoices forwarded to WestCON by the member county boards.

F. Fund Balance

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

i. Nonspendable

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

ii. 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.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

iii. Committed

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

iv. 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 WestCON or an official delegated that authority by resolution, or by State Statute.

v. Unassigned

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

WestCON 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.

G. Budgetary Process

WestCON is not subject to the budgetary requirements of Chapter 5705 of the Ohio Revised Code; however, WestCON uses internal budgets for planning purposes, which is adopted annually for expenditures.

H. Property, Plant, and Equipment

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

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused vacation or sick leave. Unpaid leave is not reflected as a liability under WestCON's cash basis of accounting.

2. Equity in Pooled Deposits and Investments

WestCON maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2017 was as follows:

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Demand deposits	\$5,724,829
Certificates of deposit	150,000
Total deposits	<u>5,874,829</u>
Government & Agency Obligations	105,438
Municipal Bonds	508,194
STAR Ohio	2,744,260
Total Investments	<u>3,357,892</u>
Total deposits and investments	<u>\$9,232,721</u>

At December 31, 2017, WestCON held unpriced General Motors Corporation equity securities. Equity securities are not eligible investments under Ohio law, to which WestCON is aware. However, at the recommendation of investment representatives, WestCON is holding onto these securities in the event of a settlement.

Deposits and Investments: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments are protected by the Securities Investor Protector Corporation (SIPC) against losses caused by the financial failure of the financial institution or broker-dealer. SIPC was created by the Securities Investor Protections Act of 1970 and is neither a government 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, up to a maximum of \$500,000, including up to \$250,000 on claims for cash. 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.

3. Risk Management

WestCON is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

WestCON maintains general liability insurance in the amount of \$1,000,000 for each occurrence and \$3,000,000 in aggregate.

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

WestCON provides health insurance for all full-time employees. WestCON provides health insurance benefits through a private carrier.

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

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

4. Defined Benefit Pension Plan

WestCON 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. OPERS members contributed 10% of their gross salaries and WestCON contributed an amount equaling 14% of participants' gross salaries. WestCON has paid all contributions required through December 31, 2017.

5. Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, 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 of both the traditional pension and the combined plans. OPERS contributes 1 percent of the employer contribution to fund these benefits.

6. Subsequent Event

During 2018, two additional County Boards of Developmental Disabilities – Champaign and Sandusky – became members of WestCON.

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**West Central Ohio Network
Shelby County
Statement of Receipts, Disbursements,
and Changes in Fund Balance (Cash Basis)
Governmental Fund Type
For the Year Ended December 31, 2016**

	General
Cash Receipts	
Member Contributions for Services	\$220,575
Member Contributions for Administrative Supprt	215,889
Intergovernmental	184,580
Investment Income	10,899
Miscellaneous	3,230
	635,173
<i>Total Cash Receipts</i>	<i>635,173</i>
Cash Disbursements	
Administrative Fees	860,027
Member Service Expenses	29,744
	889,771
<i>Total Cash Disbursements</i>	<i>889,771</i>
<i>Excess of Receipts (Under) Disbursements</i>	<i>(254,598)</i>
Other Financing Disbursements	
Transfers Out	(284,115)
	(284,115)
<i>Total Other Financing Disbursements</i>	<i>(284,115)</i>
<i>Net Change in Fund Cash Balance</i>	<i>(538,713)</i>
<i>Fund Cash Balance, January 1</i>	<i>1,385,375</i>
Fund Cash Balance, December 31	
Unassigned	846,662
	846,662
<i>Fund Cash Balance, December 31</i>	<i>\$846,662</i>

See accompanying notes to the financial statements

**West Central Ohio Network
Shelby County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2016**

	Fiduciary Fund Type Agency
Operating Cash Receipts	
County Board Contribution	601,328
Community First	25,000
Critical Needs	283,530
Family Support Services	108,611
Home Choice	13,050
Room & Board	71,970
Supported Living	3,492,664
Waiver Match	6,938,468
Investment Income	32,181
	<u>11,566,802</u>
<i>Total Operating Cash Receipts</i>	<u>11,566,802</u>
Operating Cash Disbursements	
County Board Contribution	386,202
Community First	209
Critical Needs	315,047
Family Support Services	70,274
Home Choice	11,016
Room & Board	31,896
Supported Living	1,572,777
Waiver Match	8,195,090
Investment	134
Intergovernmental Fund Transfer	215,185
	<u>10,797,830</u>
<i>Total Operating Cash Disbursements</i>	<u>10,797,830</u>
<i>Operating Income</i>	<u>768,972</u>
Non-Operating Receipts	
Transfers In	284,115
	<u>284,115</u>
<i>Total Non-Operating Receipts</i>	<u>284,115</u>
<i>Net Change in Fund Cash Balances</i>	1,053,087
<i>Fund Cash Balances, January 1</i>	<u>5,212,993</u>
<i>Fund Cash Balances, December 31</i>	<u>\$6,266,080</u>

See accompanying notes to the financial statements

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the West Central Ohio Network Council of Governments, Shelby County, (WestCON) as a body corporate and politic under Chapter 167 of the Ohio Revised Code. WestCON commenced operations in September 1990. WestCON is governed by a nine member board consisting of the Superintendents of the member County Boards of Developmental Disabilities. The participating subdivisions are: Auglaize, Darke, Hardin, Logan, Mercer, Miami, Preble, Shelby and Union counties.

WestCON provides a financial function for its members to provide the best possible services to the persons with developmental disabilities. WestCON receives obligated financial support from its memberS. WestCON pays for member county obligations and other related services to and for persons with developmental disabilities enrolled in its member boards.

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

B. Accounting Basis

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. The Board 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. Basis of Presentation

WestCON's financial statements consist of a statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all fiduciary fund types which are organized on a fund type basis.

D. Deposits and Investments

WestCON'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.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

E. Fund Accounting

WestCON 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. WestCON classifies its funds into the following types:

i. General Fund

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

ii. Fiduciary Funds

Fiduciary funds include agency funds.

Agency Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. WestCON disburses these funds as directed by the individual, organization or other government. WestCON's agency funds at the end of 2016 consisted of a percentage of county board of developmental disabilities waiver match funds, state reconciliation funds, state subsidy payments paid to WestCON of behalf of member county boards, and residual funds from the above mentioned types from previous years. The member contributions were used to make State Medicaid match payments and other state required payments on behalf of the county boards indicated by approved invoices forwarded to WestCON by the member county boards.

F. Fund Balance

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

i. Nonspendable

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

ii. 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.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

iii. Committed

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

iv. 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 WestCON or an official delegated that authority by resolution, or by State Statute.

v. Unassigned

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

WestCON 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.

G. Budgetary Process

WestCON is not subject to the budgetary requirements of Chapter 5705 of the Ohio Revised Code; however, WestCON uses internal budgets for planning purposes, which is adopted annually for expenditures.

H. Property, Plant, and Equipment

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

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused vacation or sick leave. Unpaid leave is not reflected as a liability under WestCON's cash basis of accounting.

2. Equity in Pooled Deposits and Investments

WestCON maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2016 was as follows:

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Demand deposits	\$5,293,732
Certificates of deposit	<u>402,000</u>
Total deposits	<u>5,695,732</u>
Government & Agency Obligations	908,816
Municipal Bonds	<u>508,194</u>
Total Investments	<u>1,417,010</u>
Total deposits and investments	<u><u>\$7,112,742</u></u>

At December 31, 2016, WestCON held unpriced General Motors Corporation equity securities. Equity securities are not eligible investments under Ohio law, to which WestCON is aware. However, at the recommendation of investment representatives, WestCON is holding onto these securities in the event of a settlement.

Deposits and Investments: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments are protected by the Securities Investor Protector Corporation (SIPC) against losses caused by the financial failure of the financial institution or broker-dealer. SIPC was created by the Securities Investor Protections Act of 1970 and is neither a government 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, up to a maximum of \$500,000, including up to \$250,000 on claims for cash. 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.

3. Risk Management

WestCON is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

WestCON maintains general liability insurance in the amount of \$1,000,000 for each occurrence and \$3,000,000 in aggregate.

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

WestCON provides health insurance for all full-time employees. WestCON provides health insurance benefits through a private carrier.

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

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

4. Defined Benefit Pension Plan

WestCON 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. OPERS members contributed 10% of their gross salaries and WestCON contributed an amount equaling 14% of participants' gross salaries. WestCON has paid all contributions required through December 31, 2016.

5. Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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. Subsequent Event

During 2018, two additional County Boards of Developmental Disabilities – Champaign and Sandusky – became members of WestCON.

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OHIO AUDITOR OF STATE KEITH FABER



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

West Central Ohio Network
Shelby County
315 East Court Street
Sidney, Ohio 45365

To the Executive Council:

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 the West Central Ohio Network, Shelby County, (WestCON) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated February 22, 2019 wherein we noted WestCON 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 WestCON'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 WestCON'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 WestCON'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether WestCON'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*.

WestCON's Response to Findings

WestCON's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject WestCON's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 WestCON's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering WestCON's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 22, 2019

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

MATERIAL WEAKNESS – FINANCIAL STATEMENT MISSTATEMENTS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors were identified in WestCON's 2017 financial statements and required adjustment to the financial statements:

- Transfers out for the agency fund in the amount of \$205,965 should have been reported within the applicable disbursement line item - county board contribution in the amount of \$141,848, community first in the amount of \$18,533, critical needs in the amount of \$41,082 and supported living in the amount of \$4,502.
- Transfers in for the general fund in the amount of \$205,965 should have been reported within the applicable revenue line item - member contributions for services in the amount of \$161,965 and membership fees in the amount of \$44,000.
- Intrafund movement of money was recorded in the agency fund as revenues and disbursements, but should not have been reported on the financial statements. This led to an overstatement of intergovernmental transfers in totaling \$2,397,773, an understatement of critical needs disbursement in the amount of \$1,240, and an overstatement of intergovernmental transfers out in the amount of \$2,399,013.

The following errors were identified in WestCON's 2016 financial statements and required adjustment to the financial statements:

- Transfers out for the agency fund in the amount of \$257,453 should have been reported within the applicable disbursement line item - county board contribution in the amount of \$255,374 and supported living in the amount of \$2,079.
- Transfers in for the general fund in the amount of \$257,453 should have been reported within the applicable revenue line item - member contributions for services in the amount of \$86,361 and member contributions for administrative support in the amount of \$171,092.
- Intrafund movement of money was recorded in the agency fund as revenues and disbursements, but should not have been reported on the financial statements. This led to an overstatement of the following disbursement line items in the following amounts: critical needs (\$162,758), room and board (\$284,371), waiver (\$215,000), supported living (\$2,346,429), county board contribution (\$2,039,080), community first (\$2,267), and investment (\$235,533). This also led to an overstatement of the following revenue line items in the following amounts: county board contributions (\$700,002), waiver (\$3,373,616), critical needs (\$32,138), supported living (\$1,138,790), room and board (\$40,000), and family support services (\$2,267). Also, investment income revenue was understated by \$1,375.

An additional error was not adjusted in which county board contributions revenue was overstated and intergovernmental fund transfer disbursement was overstated by \$215,185 in the agency fund.

Failure to properly record and report financial activity could lead to material financial statement errors and unreliable financial information on which management decisions are made.

**FINDING NUMBER 2017-001
(Continued)**

WestCON should implement procedures to record and report financial activity in accordance with applicable accounting standards.

Officials' Response: The finding has been reviewed and changes have been put into place so future financial statements do not reflect transfers in/out as related to payment for WestCON services or intrafund movement of money.

FINDING NUMBER 2017-002

MATERIAL WEAKNESS – FUND BALANCE CLASSIFICATION

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduced five fund balance classifications and clarified the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned. **GASB Codification 1800.177 and GASB 54, paragraph 17** states, in part, that unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For the years ended 2017 and 2016, WestCON did not report the fund balance classification for the general fund. The proper classification for the entire general fund balance for both fiscal years was unassigned. The accompanying financial statements were adjusted to correct these errors.

Failure to properly report activity and balances in the financial statements could lead to materially misstated financial statements and unreliable financial information.

WestCON should use due care in preparation of the annual financial report. Furthermore, WestCON should review GASB 54 requirements, including Auditor of State Bulletin 2011-004, and apply these requirements to all financial statements and footnote disclosures.

Officials' Response: The finding has been reviewed and changes have been put into place so future financial statements for the general fund reflects any fund balance classifications.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 and 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness – Financial Statement Misstatements	Partially Corrected – Financial Statement Error Issue Repeated in Report	Errors noted in the prior audit related to the agency funds being reported as special revenue funds have been corrected; however, the error related to fund balance reporting has not been corrected.
2015-002	Material Weakness – Investment Income Distribution	Fully Corrected	Investment income is now properly calculated and allocated into the fund in which it is earned during the month the interest is earned. A revised investment policy was adopted to reflect this practice.
2015-003	Noncompliance – ORC 135.14(B) and ORC 135.14 (D)	Partially Corrected – Repeated in Management Letter	In early 2017, the WestCON Executive Council adopted a revised investment policy to only invest funds in allowable investments under Ohio Law. In September 2017, WestCON liquidated the three investments held with Puerto Rico. Currently, the Council holds two non-Ohio state government investments which mature in a time period that is greater than 5 years from the date of settlement. The Council will review options to liquidate these investments.
2015-004	Significant Deficiency – Payroll Process and Controls	Fully Corrected	WestCON has implemented written policies and procedures related to payroll controls and processes. The Executive Director approves all timesheets and overtime requests. The Council takes necessary action as related to employee raises and insurance opt-out bonuses and action is recorded in the minutes.
2015-005	Significant Deficiency – Bank Reconciliations	Fully Corrected	Total fund reconciliation is performed monthly and is presented to and approved by the Council.



Summary Schedule of Prior Audit Findings
Page 2

2015-006	Significant Deficiency – Board Review and Approval of Financial Information	Fully Corrected	Council conducts a monthly review of financial reports including: budget versus actual revenue and expenditure reports, fund balance reports, investment reports, and total fund reconciliation reports. Evidence of the review and approval of financial reports are indicated in the minutes. All funds are tracked in WestCON's accounting system.
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OHIO AUDITOR OF STATE KEITH FABER



WEST CENTRAL OHIO NETWORK

SHELBY 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
MARCH 19, 2019**