

***WEST CENTRAL OHIO NETWORK
SHELBY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2011 & 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Executive Council
West Central Ohio Network
315 East Court Street
Sidney, Ohio 45365

We have reviewed the *Report of Independent Accountants* of the West Central Ohio Network, Shelby County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The West Central Ohio Network is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 19, 2012

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**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2011 & 2010**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1-2
Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances - For the Year Ended December 31, 2011	3
Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balances - For the Year Ended December 31, 2010	4
Notes to the Financial Statements	5-11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	12-13
Schedule of Prior Audit Findings	14

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of the Executive Council:

We have audited the accompanying financial statements of the West Central Ohio Network, Shelby County, Ohio (WestCON), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the WestCON's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, WestCON 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 WestCON's larger (i.e. major) funds separately. While WestCON 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. WestCON 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 December 31, 2011 and 2010, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of WestCON as of December 31, 2011 and 2010, 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 as of December 31, 2011 and 2010 of WestCON, Shelby County, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

As described in Note 5, during 2010 WestCON adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2012, 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. 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.



Charles E. Harris & Associates, Inc.

July 27, 2012

WEST CENTRAL OHIO NETWORK
SHELBY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2011

	Governmental Fund Types		Total - Memorandum Only
	General	Special Revenue	
Receipts:			
Intergovernmental-Federal	\$ 883,028	\$ -	\$ 883,028
Intergovernmental-State	-	1,240,796	1,240,796
Intergovernmental-Local	78,000	5,777,303	5,855,303
Waiver Match Reconciliations	-	(78,619)	(78,619)
Earnings on Investments	766,846	-	766,846
Administrative Fees	271,333	-	271,333
Autism Grant	43,000	-	43,000
Miscellaneous	6,511	27,905	34,416
Total Receipts	2,048,718	6,967,385	9,016,103
Disbursements:			
Supported Living:			
Administrative Fee	-	106,008	106,008
Contractual Service	-	4,942,325	4,942,325
Other Expenses	-	6,136	6,136
Family Resources:			
Contractual Service	-	127,309	127,309
Licensed Beds:			
Administrative Fee	-	11,883	11,883
Contractual Service	-	46,033	46,033
Critical Needs Fund:			
Contractual Service	-	299,755	299,755
Counry Board Fund:			
Contractual Service	-	114,466	114,466
Administrative Fee	-	58,278	58,278
Administrative Expenses	777,663	-	777,663
Capital Outlay	5,015	-	5,015
Total Disbursements	782,678	5,712,193	6,494,871
Total Receipts Over/(Under)			
Disbursements	1,266,040	1,255,192	2,521,232
Fund Cash Balance, January 1, 2011	1,439,409	8,638,817	10,078,226
Fund Cash Balance:			
Restricted	-	9,894,009	9,894,009
Assigned	200,093	-	200,093
Unassigned	2,505,356	-	2,505,356
Fund Cash Balance, December 31, 2011	\$ 2,705,449	\$ 9,894,009	\$ 12,599,458

See Accompanying Notes to the Financial Statements

WEST CENTRAL OHIO NETWORK
SHELBY COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2010

	Governmental Fund Types		Total - Memorandum Only
	General	Special Revenue	
Receipts:			
Intergovernmental-Federal	\$ 106,403	\$ -	\$ 106,403
Intergovernmental-State	-	1,344,321	1,344,321
Intergovernmental-Local	6,881	5,156,449	5,163,330
Waiver Match Reconciliations	-	46,803	46,803
Earnings on Investments	820,936	-	820,936
Administrative Fees	374,178	-	374,178
Autism Grants	30,000	-	30,000
Donation	-	12,500	12,500
Miscellaneous	5,582	40,435	46,017
Total Receipts	1,343,980	6,600,508	7,944,488
Disbursements:			
Supported Living:			
Administrative Fee	-	178,294	178,294
Contractual Service	-	3,961,712	3,961,712
Other Expenses	-	2,740	2,740
Family Resources:			
Contractual Service	-	340,829	340,829
Licensed Beds:			
Administrative Fee	-	12,369	12,369
Contractual Service	-	32,060	32,060
Critical Needs Fund:			
Contractual Service	-	69,723	69,723
County Board Fund:			
Contractual Service	-	124,682	124,682
Administrative Expenses	743,630	-	743,630
Capital Outlay	3,760	-	3,760
Total Disbursements	747,390	4,722,409	5,469,799
Total Receipts Over/(Under) Disbursements	596,590	1,878,099	2,474,689
Other Financing Sources/(Uses):			
Transfers In	-	29,596	29,596
Transfers Out	(29,596)	-	(29,596)
Total Other Financing Sources/(Uses)	(29,596)	29,596	-
Total Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	566,994	1,907,695	2,474,689
Fund Cash Balance, January 1, 2010	872,415	6,731,122	7,603,537
Fund Cash Balance:			
Restricted	-	8,638,817	8,638,817
Assigned	200,093	-	200,093
Unassigned	1,239,316	-	1,239,316
Fund Cash Balance, December 31, 2010	\$ 1,439,409	\$ 8,638,817	\$ 10,078,226

See Accompanying Notes to the Financial Statements.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

West Central Ohio Network, Shelby County, (WestCON) is a non-profit governmental agency known as a Regional Council of Governments. WestCON was created by seven county boards of mental retardation and developmental disabilities in September of 1990 to administer supported living services to the counties of Auglaize, Darke, Logan, Mercer, Miami, Shelby, and Union. Hardin County became a member in 2001 and Preble County became a member in 2005. WestCON is governed by an executive council of nine members that are the Superintendents of each local county board of mental retardation and developmental disabilities which is a WestCON member. At the organizational meeting of each year, which shall be held in January, the members shall elect officers of the executive council. The officers of the council shall be a President, Vice-President, Secretary, and Treasurer. There shall be no term limitations for WestCON council members. The executive council authorizes expenditures as well as serving as the contracting body and the chief administrators of public services for WestCON. The council appoints an Executive Director of WestCON that is responsible for organizing, administering, and operating WestCON in accordance with the council's established program.

Supported Living is an approach for assisting individuals with mental retardation and other developmental disabilities to live in the community based on their needs and their preferences. Member County Board Staff assess needs and develop plans for services that support eligible individuals who live in the community. WestCON provides technical assistance, performs duties on behalf of member County Boards, and pays for services and/or through County Board Authorizations. WestCON also pays match to the State of Ohio, on behalf of member County Boards, for Federal Medicaid Waiver Funds that support home and community based services provided to eligible individuals as paid by the State of Ohio.

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

B. BASIS OF ACCOUNTING

WestCON prepares its financial statements following 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. The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

A. CASH

To improve cash management, all cash received by WestCON is deposited into one of six bank accounts. All monies received for supported living, residential facility waiver, and administrative purposes are deposited into the main account. Monies received for family resources are deposited into a separate account. Additional accounts exist for each of these categories and monies are transferred monthly into the respective main account.

Monies in the main account are used to purchase all investments. Investment earnings are allocated to the General Fund.

B. FUND ACCOUNTING

WestCON maintains its accounting records in accordance with the principles of “Fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of WestCON. It is used to account for all financial resources except those required by law or contract 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.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. WestCON has the following significant Special Revenue funds:

- Supported Living – These funds are used for supported living services and for matching Federal Medicaid funds paid by the Ohio Department of Developmental Disabilities which assist persons with MR/DD to live in the home of their choice with the support required.
- Family Resource Service – These funds are used to provide respite services and other support to eligible individuals who live with families and who qualify for the support.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING – (Continued)

- Licensed Beds (formerly Residential Facility Waiver) – These funds are used to assist eligible persons with a broad array of residential services.
- County Board – These funds account for funds provided by the member County Board for a specific purpose such as to pay the non-federal portion of Federal Medicaid used to support individuals who live in the community.
- Critical Needs – Funds provided by the County Board to provide services in place of Family Support Services (FSS) which are responsive to local needs of recipients and which are more flexible because they are not tied to State FSS rules.

E. BUDGETARY PROCESS

WestCON is not required to follow budgetary procedures as prescribed by the Ohio Revised Code; however, WestCON uses internal budgets for planning purposes, which they adopt annually for expenditures.

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.

1. Nonspendable- WestCON 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.
3. Committed- The Executive Council can commit amounts via formal action (resolution). WestCON must adhere to these commitments unless the Council 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.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. FUND BALANCE- (Continued)

4. Assigned- Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restrict 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 Executive Council.
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.

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. PROPERTY, PLANT AND EQUIPMENT

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

H. UNPAID VACATION AND SICK LEAVE

In certain circumstances employees are entitled to cash payments for unused vacation and sick leave, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by WestCON.

2. DEPOSITS AND INVESTMENTS

Monies held by WestCON are classified into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the WestCON treasury. Active monies are maintained either as cash in the WestCON treasury, in commercial accounts payable or withdrawable on demand accounts, including negotiable order of withdrawal (NOW) accounts, or in investments which will mature or are redeemable within one year.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

2. DEPOSITS AND INVESTMENTS – (Continued)

Interim monies are those monies in the treasury after award of inactive deposits which are not needed for immediate use. Interim monies are deposited or invested in obligations which will mature or are redeemable within one to three years of the settlement date.

Inactive deposits are public deposits that WestCON has identified as not required for use within the current three year period of designation of depositories and will mature or are redeemable within three to five years of the settlement date. Inactive deposits are invested in investment grade cumulative preferred stocks and investment grade corporate bonds.

Deposits:

As of December 31, 2011, the carrying amount of WestCON's deposits was \$2,680,591 and the depository balance was \$2,808,269. Of the depository balance, \$153,040 was covered by FDIC, \$2,655,229 was covered by SIPC and private insurance.

As of December 31, 2010, the carrying amount of WestCON's deposits was \$2,028,020 and the depository balance was \$2,129,059. Of the depository balance, \$123,178 was covered by FDIC, \$2,005,881 was collateralized with securities held by the pledging institutions trust department not in WestCON's name, or SIPC and private insurance.

Protection of WestCON's cash and investments are protected by FDIC and the Securities Investor Protector Corporation (SIPC) against losses caused by the financial failure of the 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 \$100,000 on claims for cash (as a distinct from claims for securities). Any remaining assets after payment of liquidation expenses may be available to satisfy any remaining portion of customer claims on a pro rata basis with other creditors.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

2. DEPOSITS AND INVESTMENTS – (Continued)

Merrill Lynch, WestCON’s broker, also has obtained private insurance to supplement SIPC limits to satisfy claims up to \$600 million, including up to \$1.9 million for cash.

Investments:

WestCON had the following investments at December 31:

	2011 <u>Carrying Value</u>	2010 <u>Carrying Value</u>
Corporate Bonds	\$ <u>9,918,867</u>	\$ <u>8,050,206</u>

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 \$2,000,000 for each occurrence and \$5,000,000 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.

4. RETIREMENT SYSTEM

WestCON employees belong to the Ohio Public Employees Retirement System (OPERS), a state operated, 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 prescribed by the Ohio Revised Code. OPERS members contributed 10.0% of their gross pay while the WestCON contributed an amount equal to 14.00% of covered payroll. WestCON paid all required contributions through 2011.

**WEST CENTRAL OHIO NETWORK
SHELBY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010**

5. CHANGE IN ACCOUNTING PRINCIPLE

For 2010, WestCON implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

6. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.

Certified Public Accountants

INDEPENDENT ACCOUNTANTS' 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 Members of the Executive Council:

We have audited the financial statements of the West Central Ohio Network, Shelby County, Ohio (WestCON), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 27, 2012, wherein we noted WestCON followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and implemented GASB Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

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

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

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, 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 management, the audit committee, and members of the Executive Council. We intend it for no one other than these specified parties.

Charles E. Harris

Charles E. Harris and Associates, Inc.

July 27, 2012

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ended December 31, 2009 and 2008, reported no material citations or recommendations.



Dave Yost • Auditor of State

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
NOVEMBER 29, 2012**