



**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2012-2011**



**Dave Yost • Auditor of State**



**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

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# Dave Yost • Auditor of State

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

To the Members of Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

April 1, 2013

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of Council:

We have audited the accompanying financial statements of Northwest Ohio Waiver Administration Council, Defiance County, Ohio (NOWAC), as of and for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of NOWAC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, NOWAC has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting NOWAC's larger (i.e. major) funds separately. While NOWAC does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. NOWAC has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2012 and 2011 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of NOWAC as of June 30, 2012 and 2011, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Northwest Ohio Waiver Administration Council, Defiance County, Ohio as of June 30, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1.F, during 2011 NOWAC 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 April 1, 2013, on our consideration of NOWAC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

April 1, 2013

**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 YEAR ENDED JUNE 30, 2012**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Interest Income	\$3,009	\$1,987	\$4,996
County Waiver Administration	97,500		97,500
Day Services Administration	8,673		8,673
Support Services Administration	27,016		27,016
Waiver Billing Service	4,730		4,730
Waiver/Medicaid Administration Claims	753,863		753,863
Provider Liability Insurance/Training	525		525
Targeted Case Management Quality Assurance	1,354		1,354
Targeted Case Management Billing Service	15,899		15,899
Membership Fee	3,000		3,000
Training Fees	21,430		21,430
File Review	1,429		1,429
Northwest Ohio Affordable Housing	11,635		11,635
Supporting Living - Counties		309,591	309,591
Newsletter Advertisements	400		400
Waiver Reimbursements - Counties		14,012	14,012
Local Funds/Waiver Reconciliation - Counties		371,374	371,374
Habilitation Income		2,980,864	2,980,864
Patient Liability		82	82
Nursing Services	2,619		2,619
Technical Assistance	102,193		102,193
Level 1 Project	23		23
Other		7,000	7,000
<i>Total Cash Receipts</i>	<u>1,055,298</u>	<u>3,684,910</u>	<u>4,740,208</u>
<b>Cash Disbursements</b>			
Salaries/Fringes	446,573		446,573
Insurance	3,299		3,299
Rent/Utilities	28,759		28,759
Supplies	11,226		11,226
Equipment	66,558		66,558
Travel	19,883		19,883
Training/Meeting Expense	2,564		2,564
Conference/Training	3,580		3,580
Tuition Reimbursement	220		220
MUI Contract Services	156		156
Contracted Quality Assurance Services	9,540		9,540
Contracted Nursing Services	2,378		2,378
Habilitation Contract Services		3,167,708	3,167,708
Provider Services		40,950	40,950
OBRA Room and Board		9,895	9,895
Waiver and Supporting Living Administration - Counties		62,700	62,700
Waiver Pledge and Local Match - Counties		796,409	796,409
Rental Assistance		7,146	7,146
Ohio Department of Developmental Disabilities Administrative Fees	26,843	35,216	62,059
Advertising	2,161		2,161
Other	2,203		2,203
<i>Total Cash Disbursements</i>	<u>625,943</u>	<u>4,120,024</u>	<u>4,745,967</u>
<i>Net Change in Fund Cash Balances</i>	429,355	(435,114)	(5,759)
<i>Fund Cash Balances, January 1</i>	<u>246,986</u>	<u>1,323,706</u>	<u>1,570,692</u>
<b>Fund Cash Balances, December 31</b>			
Committed		888,592	888,592
Unassigned	676,341		676,341
<i>Fund Cash Balances, December 31</i>	<u>\$676,341</u>	<u>\$888,592</u>	<u>\$1,564,933</u>

The notes to the financial statements are an integral part of this statement.

**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 YEAR ENDED JUNE 30, 2011**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Interest Income	\$7,812	\$4,533	\$12,345
Supported Living Administration	44,934		44,934
County Waiver Administration	153,000		153,000
Day Services Administration	6,024		6,024
Support Services Administration	43,224		43,224
Waiver Billing Service	5,306		5,306
Major Unusual Incidents (MUI) - Counties	90,000		90,000
IA Services	7,560		7,560
Waiver/Medicaid Administration Claims	181,462		181,462
Provider Liability Insurance/Training	750		750
Targeted Case Management Quality Assurance	22,173		22,173
Targeted Case Management Billing Service	11,336		11,336
Membership Fee	3,000		3,000
Training Fees	21,844		21,844
File Review	4,118		4,118
Northwest Ohio Affordable Housing	12,363		12,363
Supporting Living - Counties		435,192	435,192
Newsletter Advertisements	650		650
Waiver Reimbursements - Counties		14,229	14,229
Local Funds/Waiver Reconciliation - Counties		127,500	127,500
Habilitation Income		2,559,581	2,559,581
Patient Liability		1,806	1,806
Nursing Services	3,091		3,091
Technical Assistance	42,701		42,701
Level 1 Project	3,505		3,505
<i>Total Cash Receipts</i>	<u>664,853</u>	<u>3,142,841</u>	<u>3,807,694</u>
<b>Cash Disbursements</b>			
Salaries/Fringes	385,228		385,228
Insurance	3,842		3,842
Rent/Utilities	23,280		23,280
Supplies	8,424		8,424
Equipment	5,264		5,264
Travel	16,702		16,702
Training/Meeting Expense	144		144
Conference/Training	3,363		3,363
Tuition Reimbursement	110		110
MUI Contract Services	207		207
Contracted Quality Assurance Services	6,314		6,314
Contracted Nursing Services	5,147		5,147
Habilitation Contract Services		2,996,729	2,996,729
Provider Services		65,501	65,501
OBRA Room and Board		9,490	9,490
Waiver and Supporting Living Administration - Counties		179,379	179,379
Waiver Pledge and Local Match - Counties		544,644	544,644
Rental Assistance		6,284	6,284
Ohio Department of Developmental Disabilities Administrative Fees	13,449	40,502	53,951
Audit Fees	3,968		3,968
Advertising	441		441
Other	1,442	830	2,272
<i>Total Cash Disbursements</i>	<u>477,325</u>	<u>3,843,359</u>	<u>4,320,684</u>
<i>Net Change in Fund Cash Balances</i>	187,528	(700,518)	(512,990)
<i>Fund Cash Balances, January 1</i>	<u>59,458</u>	<u>2,024,224</u>	<u>2,083,682</u>
<b>Fund Cash Balances, December 31</b>			
Committed		1,323,706	1,323,706
Unassigned	246,986		246,986
<i>Fund Cash Balances, December 31</i>	<u>\$246,986</u>	<u>\$1,323,706</u>	<u>\$1,570,692</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, 2012 AND 2011**

**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 Northwest Ohio Waiver Administration Council, Defiance County, Ohio (NOWAC), as a body corporate and politic. NOWAC is a council of government directed by a six-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, 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 Defiance, Paulding, Van Wert, and Williams County Boards of DD. NOWAC provides investigation of Major Unusual Incidents (MUIs) for the Defiance, Henry, Fulton, Paulding, 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. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

**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.

Certificates of deposits are valued at cost.

**D. Fund Accounting**

NOWAC uses fund accounting to segregate cash and investments that are restricted as to use. NOWAC classifies its funds into the following types:

**1. General Fund**

The General Fund (also referred to as the Administrative Fund) is the general operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (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 specified 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, 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 year and compares it with actual results.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**F. Fund Balance**

In 2011, NOWAC implemented Governmental Accounting Standards Board (GASB) No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which had no effect on the previously reported fund balances. Under GASB No. 54, fund balance is divided into five classifications based primarily on the extent to which NOWAC must observe constraints imposed upon the 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.

**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 specifically committed to satisfy contractual requirements.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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.

**G. Property, Plant, and Equipment**

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

**H. 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.

**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:

	2012	2011
Demand deposits	\$1,437,883	\$1,243,642
Certificates of deposit	127,000	327,000
Petty cash	50	50
Total deposits	\$1,564,933	\$1,570,692

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, 2012 AND 2011  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending June 30, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,021,925	\$1,055,298	\$33,373
Special Revenue	3,513,104	3,684,910	171,806
Total	\$4,535,029	\$4,740,208	\$205,179

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,268,911	\$625,943	\$642,968
Special Revenue	4,231,239	4,120,024	111,215
Total	\$5,500,150	\$4,745,967	\$754,183

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$475,514	\$664,853	\$189,339
Special Revenue	3,486,098	3,142,841	(343,257)
Total	\$3,961,612	\$3,807,694	(\$153,918)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$534,973	\$477,325	\$57,648
Special Revenue	3,870,053	3,843,359	26,694
Total	\$4,405,026	\$4,320,684	\$84,342

**4. 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 2012 and 2011, 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, 2012.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011  
(Continued)**

**5. Risk Management**

**A. Risk Pool Membership**

NOWAC belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services for approximately 400 Ohio schools ("members").

Pursuant to Section 2744.084 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile, and violence coverages modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65% and is less than 80% does the Plan contribute to paid claims. (See the Plan's financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, 2011 and 2010 (the latest information available):

	2011	2010
Assets	\$4,280,876	\$3,859,753
Liabilities	1,812,420	1,732,921
Members Equity	2,468,456	2,126,732

You can read the audited financial statements for The Ohio School Plan at the Plan's website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org)

Through December 31, 2011, NOWAC participated in the Northern Buckeye Educational Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NOWAC paid monthly premiums for the benefits offered to its employees including medical, dental, and vision insurance. The Northern Buckeye Education Council was responsible for the management and operations of the program. The agreement for the Program provided for additional assessments to participants if the premiums were insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant was responsible for any claims not processed and paid and any related administrative costs.

Effective January 1, 2012, the Employee Insurance Benefits Program merged with Optimal Health Initiative Consortium (OHIC) to form the Northern Buckeye Health Plan, Northwest Division of OHIC (the Plan). NOWAC pays monthly premiums to the Plan for the benefits offered to its full-time employees including medical, dental, and vision insurance. Northern Buckeye Health Plan is responsible for the management and operations of the program.

**B. Other Risk Management**

NOWAC has obtained comprehensive property insurance.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011  
(Continued)**

**5. Risk Management (Continued)**

NOWAC has obtained insurance for Employee Dishonesty coverage. The covered employees as of June 30, 2012 were Deb Guilford (Executive Director), Rick Edmonds (Fiscal Officer), Laurie Schey (Office Manager), and Michelle Vogelsong (Business Manager).

**6. Fund Balances**

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

Fund Balances	Governmental Fund Types		Total
	General	Special Revenue	
<b><i>For fiscal year ended June 30, 2012:</i></b>			
<b>Committed for</b>			
Contract Services		\$610,368	\$610,368
Day Habilitation		201,530	201,530
Waiver Match Management		76,694	76,694
<i>Total Committed</i>		<u>888,592</u>	<u>888,592</u>
Unassigned	\$676,341		676,341
<i>Total Fund Balances</i>	<u>\$676,341</u>	<u>\$888,592</u>	<u>\$1,564,933</u>
<b><i>For fiscal year ended June 30, 2011:</i></b>			
<b>Committed for</b>			
Contract Services		\$817,421	\$817,421
Day Habilitation		429,844	429,844
Waiver Match Management		76,441	76,441
<i>Total Committed</i>		<u>1,323,706</u>	<u>1,323,706</u>
Unassigned	\$246,986		246,986
<i>Total Fund Balances</i>	<u>\$246,986</u>	<u>\$1,323,706</u>	<u>\$1,570,692</u>



# Dave Yost • Auditor of State

## 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 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 Northwest Ohio Waiver Administration Council, Defiance County, Ohio (NOWAC), as of and for the years ended June 30, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated April 1, 2013 wherein we noted NOWAC followed a special purpose framework the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and they adopted Governmental Accounting Standards Board Statement 54 in fiscal year 2011.

### ***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 opinion 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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*.

We did note a certain matter not requiring inclusion in this report that we reported to NOWAC's management in a separate letter dated April 1, 2013.

***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.



**Dave Yost**  
Auditor of State

April 1, 2013



# Dave Yost • Auditor of State

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL**

**DEFIANCE COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 16, 2013**