



**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**



**Auditor of State  
Betty Montgomery**



**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

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**Auditor of State  
Betty Montgomery**

Northwest Ohio Waiver Administration Council  
Defiance County  
1804 Elmwood Drive  
Defiance, Ohio 43512-2511

To the Members of Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, 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 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 cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

November 27, 2006

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Northwest Ohio Waiver Administration Council  
Defiance County  
1804 Elmwood Drive  
Defiance, Ohio 43512-2511

To the Members of Council:

We have audited the accompanying financial statements of Northwest Ohio Waiver Administration Council, Defiance County, (NOWAC) as of and for the years ended June 30, 2006 and 2005. 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.

Revisions to GAAP would require NOWAC to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. NOWAC has elected not to reformat its statements. Since this entity does not use GAAP to measure financial statement amounts, 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, 2006 and 2005, 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, 2006 and 2005, 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, as of June 30, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires NOWAC to include Management's Discussion and Analysis for the years ended June 30, 2006 and 2005. NOWAC has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2006, 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.



**Betty Montgomery**  
Auditor of State

November 27, 2006



**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Interest Income	\$ 36,589	\$ 9,031	\$ 45,620
Supported Living Administration	61,994		61,994
County Waiver Administration	82,500		82,500
ODMR/DD Waiver Administration	10,980		10,980
Quality Assurance Reviews	18,000		18,000
Waiver Billing Service	2,710		2,710
MUI - Counties	88,950		88,950
Cost Settlements	27,800		27,800
Provider Liability Insurance/Training	8,548		8,548
Habilitation Income		2,195,773	2,195,773
Supported Living - Counties		633,637	633,637
Reimbursement - Supported Services		9,105	9,105
I/O Reconciliation - Counties		52,293	52,293
Reimbursement Provider Services/ Other - Van Wert County		441,545	441,545
Williams County Local Funds		100,000	100,000
Other	510		510
Total Cash Receipts	<u>338,581</u>	<u>3,441,384</u>	<u>3,779,965</u>
<b>Cash Disbursements:</b>			
Salaries/Fringes	348,197		348,197
Insurance	4,633		4,633
Rent/Utilities	22,855		22,855
Supplies	7,039		7,039
Equipment	12,354		12,354
Travel	12,641		12,641
Training/Meeting Expense	8,591		8,591
Conference/ Training	4,994		4,994
Workers Compensation	4,092		4,092
Advertising	691		691
Tuition Reimbursement	3,257		3,257
MUI Contract Services	7,300		7,300
Habilitation Expenditures		1,464,031	1,464,031
Provider Services		420,697	420,697
OBRA Room and Board		9,561	9,561
Waiver and Supported Living Administration - Counties		139,394	139,394
Waiver Pledge and Local Match - Counties		570,187	570,187
Rental Assistance		35,441	35,441
Other	161	87	248
Total Cash Disbursements	<u>436,805</u>	<u>2,639,398</u>	<u>3,076,203</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(98,224)	801,986	703,762
Fund Cash Balances, July 1	252,619	1,260,532	1,513,151
<b>Fund Cash Balances, June 30</b>	<b><u>\$ 154,395</u></b>	<b><u>\$ 2,062,518</u></b>	<b><u>\$ 2,216,913</u></b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Interest Income	\$ 28,512	\$ 6	\$ 28,518
Supported Living Administration	61,527		61,527
County Waiver Administration	58,500		58,500
ODMR/DD Waiver Administration	164,108		164,108
Quality Assurance Reviews	30,400		30,400
Waiver Billing Service	1,080		1,080
MUI - Counties	93,574		93,574
Cost Settlements	19,224		19,224
Provider Liability Insurance/Training	3,483		3,483
Supported Living - Counties		631,737	631,737
Reimbursement - Supported Services		8,143	8,143
I/O Reconciliation - Counties		30,303	30,303
Reimbursement Provider Services/ Other - Van Wert County		441,506	441,506
EFMAP Reimbursements - Counties		59,112	59,112
Van Wert County - Local Waiver Funds		17,320	17,320
Williams County Local Funds		119,010	119,010
Other	1,343	175	1,518
Total Cash Receipts	<u>461,751</u>	<u>1,307,312</u>	<u>1,769,063</u>
<b>Cash Disbursements:</b>			
Salaries/Fringes	307,651		307,651
Insurance	4,854		4,854
Rent/Utilities	21,157		21,157
Audit Services	3,597		3,597
Supplies	9,182		9,182
Equipment	7,830		7,830
Travel	9,270		9,270
Training/Meeting Expense	2,422		2,422
Conference/ Training	2,110		2,110
Workers Compensation	4,124		4,124
Tuition Reimbursement	2,317		2,317
MUI Contract Services	11,243		11,243
Provider Services		463,486	463,486
OBRA Room and Board		11,064	11,064
Waiver and Supported Living Administration - Counties		120,027	120,027
Waiver Pledge and Local Match - Counties		550,428	550,428
Rental Assistance		32,253	32,253
Other	301	18,455	18,756
Total Cash Disbursements	<u>386,058</u>	<u>1,195,713</u>	<u>1,581,771</u>
Total Cash Receipts Over Cash Disbursements	75,693	111,599	187,292
Fund Cash Balances, July 1	176,926	1,148,933	1,325,859
<b>Fund Cash Balances, June 30</b>	<u><b>\$ 252,619</b></u>	<u><b>\$ 1,260,532</b></u>	<u><b>\$ 1,513,151</b></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, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Northwest Ohio Waiver Administration Council (NOWAC) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. NOWAC is a council of governments directed by a seven-member Board of Council Members. The Board consists of the Superintendents of the member County Boards of Mental Retardation and Developmental Disabilities (County Boards of MR/DD). The member County Boards of MR/DD include: Allen County, Defiance County, Fulton County, Henry County, Paulding County, Van Wert County, and Williams County. NOWAC provides quality assurance reviews for various member County Boards of MR/DD residential programs and also administers the residential programs for the Defiance, Van Wert and Williams County Boards of MR/DD. NOWAC provides investigation of Major Unusual Incidents(MUIs) for the Defiance, Henry, Fulton, Paulding, Van Wert, and Williams County Boards of MR/DD.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund (also known as the Administrative Fund) is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**2. Special Revenue Funds**

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

Contract Services Fund - This fund receives allocations of state and local revenues to provide residential services through contract providers for clients in Defiance, Van Wert and Williams Counties.

Day Habilitation Fund – This fund receives allocations of local revenue to provide adult day services through contract providers for clients in Defiance and Williams Counties.

**E. Budgetary Process**

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

A summary of budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting NOWAC uses.

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005  
(Continued)**

**2. EQUITY IN POOLED CASH**

NOWAC maintains separate demand deposit accounts for each fund and a money market account used by all funds. The certificates of deposit consist of cash from the Contract Services Fund and the General Fund. Council policy prescribes allowable deposits and investments. The carrying amount of cash at June 30 follows:

	2006	2005
Cash on hand	\$50	\$50
Demand deposits	1,289,863	986,101
Certificates of deposit	927,000	527,000
Total deposits and cash on hand	\$2,216,913	\$1,513,151

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool, or (3) individual pledged securities.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$497,031	\$338,581	(\$158,450)
Special Revenue	3,343,380	3,441,384	98,004
Total	\$3,840,411	\$3,779,965	(\$60,446)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$749,649	\$436,805	\$312,844
Special Revenue	2,920,760	2,639,398	281,362
Total	\$3,670,409	\$3,076,203	\$594,206

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$381,345	\$461,751	\$80,406
Special Revenue	1,220,521	1,307,312	86,791
Total	\$1,601,866	\$1,769,063	\$167,197

**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005  
(Continued)**

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

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$558,270	\$386,058	\$172,212
Special Revenue	1,213,736	1,195,713	18,023
Total	\$1,772,006	\$1,581,771	\$190,235

**4. RETIREMENT SYSTEM**

NOWAC's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For July 1, 2004, thru December 31, 2005, members of OPERS contributed 8.5% of their gross salaries. For January 1, 2006, through June 30, 2006, members of OPERS contributed 9.0% of their gross salaries. NOWAC contributed an amount equal to 13.55% of participants' gross salaries for the period July 1, 2004, through December 31, 2005, and 13.70% of participants' gross salaries for the period January 1, 2006, through June 30, 2006. NOWAC has paid all contributions required through June 30, 2006.

**5. RISK MANAGEMENT**

NOWAC has obtained commercial insurance for general liability risks. Defiance County provides comprehensive property insurance.

NOWAC has obtained insurance for Employee Dishonesty coverage. The covered employees are Deb Guilford(Executive Director), Rick Edmonds (Fiscal Officer), and Michelle Vogelsong (Business Manager).

NOWAC also provides health insurance, vision coverage and dental coverage to full-time employees through Defiance County.



**Auditor of State  
Betty Montgomery**

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

Northwest Ohio Waiver Administration Council  
Defiance County  
1804 Elmwood Drive  
Defiance, Ohio 43512-2511

To the Members of Council:

We have audited the financial statements of Northwest Ohio Waiver Administration Council, Defiance County, (NOWAC) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated November 27, 2006, wherein we noted NOWAC followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered NOWAC's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to NOWAC's management dated November 27, 2006, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

**Compliance and Other Matters**

As part of reasonably assuring whether NOWAC's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to NOWAC's management dated November 27, 2006, we reported a matter related to noncompliance we deemed immaterial.

Northwest Ohio Waiver Administration Council  
Defiance County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and the members of Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 27, 2006





**Auditor of State  
Betty Montgomery**

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**NORTHWEST OHIO WAIVER ADMINISTRATION COUNCIL**

**DEFIANCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 19, 2006**