

***STARK REGIONAL COMMUNITY CORRECTION
CENTER***

STARK COUNTY, OHIO

AUDIT REPORT

For the Years Ended June 30, 2014 & 2013



Dave Yost • Auditor of State

Members of the Judicial Advisory Board and Facility Governing Board
Stark Regional Community Correction Center
4433 Lesh Street, NE
Louisville, Ohio 44641

We have reviewed the *Independent Auditors' Report* of the Stark Regional Community Correction Center, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2012 through June 30, 2014. 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.

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 Stark Regional Community Correction Center is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 30, 2015

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**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

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

INDEPENDENT AUDITORS' REPORT

Stark Regional Community Correction Center
Stark County
4433 Lesh Street, NE
Louisville, Ohio 44641

To the Members of the Judicial Advisory Board and Facility Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Stark Regional Community Correction Center, Stark County (the Center) as of and for the years ended June 30, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting practices the Ohio Department of Rehabilitation and Correction prescribes or permits; 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 the Center'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 the Center's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statements, the Center prepared these financial statements using the accounting basis permitted by the Ohio Department of Rehabilitation and Correction, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 the Center as of June 30, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and unpaid obligations of the Stark Regional Community Correction Center, Stark County as of June 30, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the accounting basis described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014, on our consideration of the Center'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 the Center's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
November 20, 2014

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
STARK REGIONAL COMMUNITY CORRECTION CENTER**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2014**

	<u>State Appropriations and Grants</u>			<u>Offender Fund</u>	<u>Totals</u>
	ODRC 501-501	Federal	Capital CAP 003	Resident Program	
Cash Receipts:					
Intergovernmental	\$ 3,419,853	\$ 32,466	-	-	3,452,319
Collections from offenders	-	-	-	\$ 35,899	35,899
Other	11,930	-	-	-	11,930
Insurance Income	-	-	-	8	8
Total Cash Receipts	<u>3,431,783</u>	<u>32,466</u>	<u>-</u>	<u>35,907</u>	<u>3,500,156</u>
Cash Disbursements:					
Personnel	2,455,171	32,466	-	-	2,487,637
Operating costs	242,080	-	-	-	242,080
Program costs	599,376	-	-	-	599,376
Equipment	4,887	-	-	-	4,887
Offender Disbursements:	-	-	-	34,598	34,598
Total Cash Disbursements	<u>3,301,514</u>	<u>32,466</u>	<u>-</u>	<u>34,598</u>	<u>3,368,578</u>
Disbursements from prior FY	<u>84,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,754</u>
Total Receipts Over/(Under) Disbursements	45,515	-	-	1,309	46,824
Fund Cash Balances, July 1, 2013	<u>360,656</u>	<u>-</u>	<u>\$ 3,613</u>	<u>28,360</u>	<u>392,629</u>
Fund Cash Balances, June 30, 2014	<u>\$ 406,171</u>	<u>\$ -</u>	<u>\$ 3,613</u>	<u>\$ 29,669</u>	<u>\$ 439,453</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 92,498</u>				

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

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
STARK REGIONAL COMMUNITY CORRECTION CENTER**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2013**

	<u>State Appropriations and Grants</u>			<u>Offender Fund</u>	<u>Totals</u>
	<u>ODRC 501-501</u>	<u>Federal</u>	<u>Capital CAP 003</u>	<u>Resident Program</u>	
Cash Receipts:					
Intergovernmental	\$ 3,462,316	\$ 35,424	-	-	3,497,740
Collections from offenders	-	-	-	\$ 28,658	28,658
Other	513	-	-	-	513
Insurance Income	-	-	-	10	10
Total Cash Receipts	<u>3,462,829</u>	<u>35,424</u>	<u>-</u>	<u>28,668</u>	<u>3,526,921</u>
Cash Disbursements:					
Personnel	2,448,987	34,475	-	-	2,483,462
Operating costs	212,790	949	-	-	213,739
Program costs	662,205	-	-	-	662,205
Equipment	44,440	-	-	-	44,440
Offender Disbursements:	-	-	-	22,456	22,456
Total Cash Disbursements	<u>3,368,422</u>	<u>35,424</u>	<u>-</u>	<u>22,456</u>	<u>3,426,302</u>
Disbursements from prior FY	<u>114,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,982</u>
Total Receipts Over/(Under) Disbursements	(20,575)	-	-	6,212	(14,363)
Fund Cash Balances, July 1, 2012	<u>381,231</u>	<u>-</u>	<u>\$ 3,613</u>	<u>22,148</u>	<u>406,992</u>
Fund Cash Balances, June 30, 2013	<u>\$ 360,656</u>	<u>\$ -</u>	<u>\$ 3,613</u>	<u>\$ 28,360</u>	<u>\$ 392,629</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 22,993</u>				

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

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Stark Regional Community Correction Center, Stark County, (the Center) provides an alternative to prison incarceration for felony offenders. The Center is the last step in the continuum of increasing punishment before prison incarceration. The Center is a minimum security operation housing approximately 125 offenders. A Facilities Governing Board oversees the Center's operations. Common pleas judges from the Counties the Center serves comprise a Judicial Advisory Board. The Judicial Advisory Board appoints two-thirds of the members of the Facility Governing Board and advises the Facilities Governing Board regarding Facility matters. The Board includes at least one common pleas court judge from each county the Facility serves. The Facility serves the following counties:

Holmes County	Stark County
Tuscarawas County	Wayne County

For the years ended June 30, 2014 and 2013, the financial statement presents all funds related to the Center.

B. Basis of Accounting

These financial statements follow the basis of accounting the Ohio Department of Rehabilitation and Correction prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Facility recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements adequately disclose material matters the Ohio Department of Rehabilitation and Correction requires.

C. Deposits

The Stark County Treasurer is the custodian of the Center's grant funds and State appropriations. The County holds these Facility assets in the County's deposit and investment pool, valued at the County Treasurer's reported carrying amount. The Center holds offenders' cash in demand deposit accounts.

The County credits earnings on Center investments to the County's General Fund.

D. Fund Accounting

The Facility uses fund accounting to segregate amounts that are restricted as to use. The Facility has the following funds:

**STARK REGIONAL COMMUNITY CORRECTIONS CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

State Appropriations and Grants

Ohio Department of Rehabilitation and Correction (ODRC) 501-501 Funding: ODRC grants this funding, appropriated from the State's General Fund, to the Facility to support general operating costs.

Federal: Reports amounts received from the Federal government, including amounts passed through ODRC. The Center received Title I and ABLE funding to aid in the rehabilitation of offenders.

Capital CAP 003: Reports amounts received from the ODRC to finance all or part of the cost of the renovating or building facilities.

Offender Funds

Resident Offender Funds: Reports amounts received from the following sources: amounts collected from offenders for repayment of costs paid by the Center; vending machine commissions generated by items purchased by offenders from the vending machines; telephone commissions generated by calls offenders place to locations outside the Center; and various other donations. This fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment.

E. Budgetary Process

1. Appropriations

The Center must budget its intended uses of ODRC 501-501 funding as part of its funding application to ODRC. After ODRC approves the budget, the Board formally adopts it. The Facility cannot spend or obligate (i.e., encumber) more than the appropriation. Facilities must obtain approval from ODRC to transfer amounts between budget categories.

2. Encumbrances

Disbursements from State appropriations and Grants are subject to Stark County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. The budgetary disbursement amounts reported in Note 2 include cash disbursed against the current year budget plus amounts spent within ninety days of June 30 to liquidate year-end commitments. Amounts not liquidated within ninety days of June 30 are subject to refund to ODRC, unless ODRC approves an extension. (See Note 4.)

**STARK REGIONAL COMMUNITY CORRECTIONS CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

The Unpaid Obligations/Open Purchase Orders amount as of June 30, 2014 and 2013 includes purchase orders opened for the FY14 and FY13 grant in the amount of \$92,498 and \$22,993, respectively.

A summary of 2014 and 2013 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Budgetary Activity

Budgetary activity for ODRC 501-501 funding for the years ending 2014 and 2013 follows:

2014 Budgeted vs. Actual Budgetary Basis Disbursements		
	Budgetary	
Budget	Disbursements	Variance
\$3,524,405	\$3,506,727	\$17,678

2013 Budgeted vs. Actual Budgetary Basis Disbursements		
	Budgetary	
Budget	Disbursements	Variance
\$3,462,316	\$3,452,987	\$9,329

3. Collateral on Deposits and Investments

Grants and State Appropriations

The County Treasurer is responsible for collateralizing deposits and investments for grants and State appropriations the County holds as custodian for the Facility.

Offender Funds

The Center has Federal Deposit Insurance Corporation coverage of \$250,000 for Offender Funds.

**STARK REGIONAL COMMUNITY CORRECTIONS CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

4. Refund To ODRC

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Facility must refund any excess over this amount to ODRC. The schedule below computes the refund to ODRC for the years ending June 30. Disbursements below include cash paid to liquidate encumbrances outstanding at June 30 and exclude disbursements made during the fiscal year against amounts encumbered the prior June 30. The Facility refunds amounts computed below in the fiscal year following the computation below.

Refund to ODRC		
	2014	2013
Cash, July 1	\$360,656	\$381,231
Disbursements Against Prior Year Budget Payable to ODRC, July 1	(\$84,754)	(\$114,982)
Sub-Total	\$275,902	\$266,249
501 Cash Receipts	3,431,783	3,462,829
Budgetary Basis Disbursements	(3,506,727)	(3,452,987)
Amount Subject to Refund, June 30	\$200,958	276,091
One-Twelfth of 501 Award	(293,700)	(288,526)
Refundable to ODRC	\$ (92,742)	\$ (12,435)

5. Retirement Systems

The Center's employees belong to the Ohio Public Employees Retirement System (OPERS). The Ohio Revised Code prescribes plan benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10 percent of their gross salaries and the Center contributed an amount equaling 14 percent, respectively, of participants' gross salaries. The Center has paid all contributions required through June 30, 2014.

6. Risk Management

Commercial Insurance

The Center has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

**STARK REGIONAL COMMUNITY CORRECTIONS CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013
(Continued)**

7. Contingent Liabilities

The Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center as of June 30, 2014.

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Charles E. Harris & Associates, Inc.
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Stark Regional Community Correction Center
Stark County
4433 Lesh Street, NE
Louisville, Ohio 44641

To the Members of the Judicial Advisory Board and Facility Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Stark Regional Community Correction Center, Stark County (the Center), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2014, wherein we noted the Center followed accounting practices the Ohio Department of Rehabilitation and Correction prescribes or permits rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Center'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 the Center'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 the Center'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.

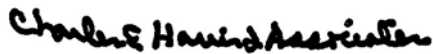
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.
November 20, 2014



Dave Yost • Auditor of State

STARK REGIONAL COMMUNITY CORRECTION CENTER

STARK 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 9, 2015**