



Dave Yost • Auditor of State



**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2016.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2016.....	6
Notes to the Financial Statements.....	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2015.....	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) – All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2015.....	14
Notes to the Financial Statements.....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	21
Schedule of Findings.....	23

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Corrections Commission of Northwest Ohio  
Williams County  
03151 County Road 2425  
Stryker, Ohio 43557-9418

To the Members of the Commission:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Corrections Commission of Northwest Ohio, Williams County, Ohio (the Commission) as of and for the years ended December 31, 2016 and 2015.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Commission'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 Commission'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 2 of the financial statements, the Commission prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presumed they are material.

Though the Commission does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Commission as of December 31, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Corrections Commission of Northwest Ohio, Williams County, Ohio as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during 2015, the Commission elected to change the fund type reporting of several funds to properly report them in accordance with Government Accounting Standards Board Statement No. 54 and include a fund which was previously omitted. We did not modify our opinion regarding these matters.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017, on our consideration of the Commission'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 Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 15, 2017

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CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Multi-Jurisdictional Inmate Beds	\$14,636,185		\$235,287	\$14,871,472
Grants from State		\$1,589,491		1,589,491
Rental Revenue (Bed Overages)	508,132			508,132
Nonmember Inmate Bed Rental Income	282,036			282,036
Electronic Monitoring		490,697		490,697
Juvenile Center	51,591			51,591
Earnings on Investments	33			33
BCI - Webcheck Income	174			174
Commissary Commission		205,253		205,253
Medical Fee Revenue		5,596		5,596
Inmate Phone Commission			445,476	445,476
Miscellaneous	688,472	55,715		744,187
<i>Total Cash Receipts</i>	16,166,623	2,346,752	680,763	19,194,138
<b>Cash Disbursements:</b>				
<i>Current:</i>				
Salary, Wages and Benefits	11,273,417	411,192		11,684,609
Education, Training, Membership and Dues	9,049			9,049
Insurance	234,106			234,106
Travel	2,984	399		3,383
Supply Expenses	308,519	78,334		386,853
Contract Services	2,887,698	825,474		3,713,172
Postage Services	1,346	30		1,376
Utilities	587,580	9,808		597,388
Clothing and Linen	79,703	23,461		103,164
Repairs and Maintenance	78,401	13,437		91,838
Personnel Recruitment	15,276			15,276
Professional Services	184,045			184,045
Dry Cleaning	61,440	1,201		62,641
Non-Capital Equipment	54,126	4,586		58,712
Capital Outlay	37,582	56,562	63,810	157,954
<i>Total Cash Disbursements</i>	15,815,272	1,424,484	63,810	17,303,566
<i>Excess of Receipts Over Disbursements</i>	351,351	922,268	616,953	1,890,572
<b>Other Financing Receipts (Disbursements)</b>				
Advances In		50,000		50,000
Advances Out		(50,000)		(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>				
<i>Net Change in Fund Cash Balances</i>	351,351	922,268	616,953	1,890,572
<i>Fund Cash Balances, January 1</i>	731,673	1,184,589	598,762	2,515,024
<b>Fund Cash Balances, December 31</b>				
Restricted		2,106,857		2,106,857
Committed	165,186		1,215,715	1,380,901
Assigned	140,921			140,921
Unassigned	776,917			776,917
<i>Fund Cash Balances, December 31</i>	\$1,083,024	\$2,106,857	\$1,215,715	\$4,405,596

See accompanying notes to the basic financial statements

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Proprietary Fund Type	Fiduciary Fund Types	Totals
	Internal Service	Agency	(Memorandum Only)
<b>Operating Cash Receipts:</b>			
Insurance Premiums	\$2,472,278		\$2,472,278
Stop Loss Coverage	1,383,894		1,383,894
Employer Contributions	200,000		200,000
Miscellaneous	44,791		44,791
<i>Total Operating Cash Receipts</i>	<u>4,100,963</u>		<u>4,100,963</u>
<b>Operating Cash Disbursements:</b>			
Claims	3,848,835		3,848,835
Administrative Fees	480,447		480,447
<i>Total Operating Cash Disbursements</i>	<u>4,329,282</u>		<u>4,329,282</u>
<i>Operating Loss</i>	<u>(228,319)</u>		<u>(228,319)</u>
<b>Non-Operating Receipts (Disbursements):</b>			
Miscellaneous Receipts		\$525,278	525,278
Other Financing Sources	335,226		335,226
Miscellaneous Disbursements		(517,115)	(517,115)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>335,226</u>	<u>8,163</u>	<u>343,389</u>
<i>Net Change in Fund Cash Balances</i>	106,907	8,163	115,070
<i>Fund Cash Balances, January 1</i>	<u>59,365</u>	<u>143,298</u>	<u>202,663</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$166,272</u></u>	<u><u>\$151,461</u></u>	<u><u>\$317,733</u></u>

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Note 1 - Reporting Entity**

The Corrections Commission of Northwest Ohio, Williams County, (the Commission) is a public entity organized September 30, 1987, under Ohio Revised Code § 307.93 for the purpose of establishing a multi-county municipal correction center, constructing that center, overseeing its operation and administration and promoting other cooperative programs relating to the center.

The Board of County Commissioners of Defiance, Fulton, Henry, Lucas, and Williams Counties and the Toledo City Council established the Commission. A Commissioner and the Sheriff of each participating county and the Mayor and Police Chief of each participating municipality comprise the Governing Board of the Commission. Effective August 20, 2016, the City of Toledo withdrew its membership from the Commission.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

The Commission uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Commission are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Commission for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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. The Commission had the following significant Special Revenue Funds:

***Electronic Monitoring Fund*** The electronic monitoring fund accounts for the electronic monitoring services of inmates not housed at the facility, but are under house arrest and can pay for the applicable fees of the service.

***Inmate Support Fund*** The inmate support fund accounts for monies received from commissary sales to inmates, purchasing of merchandise, and payment for inmate medical expenses.

***State Grants Fund*** The states grant fund accounts for monies received from the Ohio Department of Rehabilitation and Corrections for the Community Corrections Act, Post Release Control and Regional Diversion grants. The Community Corrections Act grant is to assist in the monitoring of offenders via electronic devices. The Post Release Control grant enables Post Release Control violators to be housed. The Regional Diversion Program grant enables Felony 4 and Felony 5 offenders to be housed.

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

**Capital Project Fund** This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Commission had the following Capital Project Fund:

**Capital Fund** The capital fund accounts for capital per diem inmate bed charges to members and inmate phone commissions for future capital improvements to the facilities.

**Internal Service Fund** This fund accounts for services provided by one department to other departments of the government unit. The Commission had the following Internal Service Fund:

**Self-funded Health Insurance Fund** – The self-funded health insurance fund accounts for insurance premium payments from other funds to pay medical, dental, and prescription claims of employees enrolled in the health insurance plan.

**Fiduciary Funds** Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Commission disburses these funds as directed by the individual, organization or other government. The Commission's agency funds account for the money held for the incarcerated inmates of the facility and flexible savings accounts for employees.

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Budgetary Process**

The Commission is not required to follow the budgetary requirements under Ohio Revised Code § 5705. However, the Commission does perform annual budgetary procedures for the General, Special Revenue, and Capital Projects funds. The Commission did not develop a budget for the Internal Service or Agency funds.

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Governing Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**Estimated Resources** Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

**Encumbrances** Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

***Deposits and Investments***

The Commission'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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for vacation, personal, discretionary and sick time.

***Fund Balance***

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

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

***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.

***Committed*** The Governing Board can *commit* amounts via formal action (resolution). The Commission must adhere to these commitments unless the Governing 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.

***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 Governing Board or a Commission official delegated that authority by resolution, or by State Statute.

***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.

The Commission 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.

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$16,190,514	\$16,166,623	(\$23,891)
Special Revenue	4,059,622	2,396,752	(1,662,870)
Capital Projects	94,960	680,763	585,803
Total	\$20,345,096	\$19,244,138	(\$1,100,958)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,266,831	\$15,956,193	\$310,638
Special Revenue	4,069,491	1,485,706	2,583,785
Capital Projects	129,917	129,917	0
Total	\$20,466,239	\$17,571,816	\$2,894,423

**Note 4 – Deposits and Investments**

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

	2016
Demand deposits	\$4,717,161
STAR Ohio	6,168
Total deposits and investments	\$4,723,329

***Deposits***

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

***Investments***

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**Note 5 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Commission pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

***Commercial Insurance***

The Commission has obtained commercial insurance for the following risks:

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

***Self-Insurance***

The Commission is also self-insured for health, dental, and prescription coverage. The Self-Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. The Commission reinsures certain risks with Vista Underwriting Partners, LLC to limit its losses for large aggregate and individual losses.

**Note 6 - Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

All Commission employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Commission contributed an amount equaling 14%, of participants' gross salaries. The Commission has paid all contributions required through December 31, 2016.

**Note 7 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 8 – Contingent Liabilities**

The Commission is defendant in a lawsuit. Management cannot presently determine the outcome of this suit, but believes the potential liability may be somewhat limited.

Amounts grantor agencies pay to the Commission are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Multi-Jurisdictional Inmate Beds	\$14,556,408		\$170,546	\$14,726,954
Grants from State		\$259,366		259,366
Rental Revenue (Bed Overages)	74,440			74,440
Electronic Monitoring		379,547		379,547
Juvenile Center	141,633			141,633
Earnings on Investments	7			7
Commissary Commission		185,874		185,874
Medical Fee Revenue		7,340		7,340
Inmate Phone Commission			344,781	344,781
Miscellaneous	203,039	31,748		234,787
<i>Total Cash Receipts</i>	<u>14,975,527</u>	<u>863,875</u>	<u>515,327</u>	<u>16,354,729</u>
<b>Cash Disbursements:</b>				
Current:				
Salary, Wages and Benefits	11,052,886	392,188		11,445,074
Education, Training, Membership and Dues	8,507			8,507
Insurance	249,226	3,200		252,426
Travel	5,067	358		5,425
Supply Expenses	289,888	86,221		376,109
Contract Services	3,044,713	156,988		3,201,701
Postage Services	993	30		1,023
Utilities	573,413	9,610		583,023
Clothing and Linen	83,445	16,635		100,080
Repairs and Maintenance	177,719	10,665		188,384
Personnel Recruitment	7,774			7,774
Professional Services	195,702			195,702
Dry Cleaning	66,960	1,200		68,160
Non-Capital Equipment	33,308	5,895		39,203
Capital Outlay	29,567	100,458	585,943	715,968
<i>Total Cash Disbursements</i>	<u>15,819,168</u>	<u>783,448</u>	<u>585,943</u>	<u>17,188,559</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(843,641)	80,427	(70,616)	(833,830)
<b>Other Financing Receipts (Disbursements):</b>				
Advances In	50,000	50,000		100,000
Advances Out		(100,000)		(100,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>50,000</u>	<u>(50,000)</u>		
<i>Net Change in Fund Cash Balances</i>	(793,641)	30,427	(70,616)	(833,830)
<i>Fund Cash Balances, January 1 (restated)</i>	<u>1,525,314</u>	<u>1,154,162</u>	<u>669,378</u>	<u>3,348,854</u>
Fund Cash Balances, December 31				
Restricted		1,184,589		1,184,589
Committed			598,762	598,762
Assigned	76,317			76,317
Unassigned	655,356			655,356
<i>Fund Cash Balances, December 31</i>	<u>\$731,673</u>	<u>\$1,184,589</u>	<u>\$598,762</u>	<u>\$2,515,024</u>

See accompanying notes to the basic financial statements

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Internal Service	Agency	(Memorandum Only)
<b>Operating Cash Receipts:</b>			
Insurance Premiums	\$20,652		\$20,652
Employer Contributions	38,713		38,713
<i>Total Operating Cash Receipts</i>	59,365		59,365
<b>Non-Operating Receipts (Disbursements):</b>			
Miscellaneous Receipts		\$543,923	543,923
Miscellaneous Disbursements		(535,442)	(535,442)
<i>Total Non-Operating Receipts (Disbursements)</i>		8,481	8,481
<i>Net Change in Fund Cash Balances</i>	59,365	8,481	67,846
<i>Fund Cash Balances, January 1 (restated)</i>		134,817	134,817
<i>Fund Cash Balances, December 31</i>	\$59,365	\$143,298	\$202,663

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**Note 1 - Reporting Entity**

The Corrections Commission of Northwest Ohio, Williams County, (the Commission) is a public entity organized September 30, 1987, under Ohio Revised Code § 307.93 for the purpose of establishing a multi-county municipal correction center, constructing that center, overseeing its operation and administration and promoting other cooperative programs relating to the center.

The Board of County Commissioners of Defiance, Fulton, Henry, Lucas, and Williams Counties and the Toledo City Council established the Commission. A Commissioner and the Sheriff of each participating county and the Mayor and Police Chief of each participating municipality comprise the Governing Board of the Commission.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

The Commission uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Commission are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Commission for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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. The Commission had the following significant Special Revenue Funds:

***Electronic Monitoring Fund*** The electronic monitoring fund accounts for the electronic monitoring services of inmates not housed at the facility, but are under house arrest and can pay for the applicable fees of the service.

***Inmate Support Fund*** The inmate support fund accounts for monies received from commissary sales to inmates, purchasing of merchandise, and payment for inmate medical expenses.

***State Grants Fund*** The states grant fund accounts for monies received from the Ohio Department of Rehabilitation and Corrections for the Community Corrections Act, Post Release Control and Regional Diversion grants. The Community Corrections Act grant is to assist in the monitoring of offenders via electronic devices. The Post Release Control grant enables Post Release Control violators to be housed. The Regional Diversion Program grant enables Felony 4 and Felony 5 offenders to be housed.

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)**

**Capital Project Fund** This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Commission had the following Capital Project Fund:

**Capital Fund** The capital fund accounts for capital per diem inmate bed charges to members and inmate phone commissions for future capital improvements to the facilities.

**Internal Service Fund** This fund accounts for services provided by one department to other departments of the government unit. The Commission had the following Internal Service Fund:

**Self-funded Health Insurance Fund** – The self-funded health insurance fund accounts for insurance premium payments from other funds to pay medical, dental, and prescription claims of employees enrolled in the health insurance plan.

**Fiduciary Funds** Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Commission disburses these funds as directed by the individual, organization or other government. The Commission's agency funds account for the money held for the incarcerated inmates of the facility and flexible savings accounts for employees.

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Budgetary Process**

The Commission is not required to follow the budgetary requirements under Ohio Revised Code § 5705. However, the Commission does perform annual budgetary procedures for the General, Special Revenue, and Capital Projects funds. The Commission did not develop a budget for the Internal Service or Agency funds.

**Appropriations** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Governing Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**Estimated Resources** Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

**Encumbrances** Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 budgetary activity appears in Note 4.

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)**

***Deposits and Investments***

The Commission'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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

***Capital Assets***

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

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for vacation, personal, discretionary and sick time.

***Fund Balance***

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

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

***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.

***Committed*** The Governing Board can *commit* amounts via formal action (resolution). The Commission must adhere to these commitments unless the Governing 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.

***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 Commission Governing Board or a Commission official delegated that authority by resolution, or by State Statute.

***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.

The Commission 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.

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)**

**Note 3 – Accounting Changes**

During 2015, the Commission changed the accounting of several funds to report in accordance with Government Accounting Standards Board Statement No. 54 and added a fund which was previously omitted. These changes had the following effect on the fund balances previously reported:

	General Fund	Special Revenue Funds	Capital Project Fund	Enterprise Funds	Agency Funds
Fund Balance, December 31, 2014	\$2,330,618	\$26,932		\$1,108,661	
Funds Reclassified:					
Electronic Monitoring Fund	(45,884)	1,098,936		(1,053,052)	
Inmate Support Fund		28,294		(28,294)	
Capital Fund	(669,378)		\$669,378		
Intake Fund				(27,315)	\$27,315
Inmate Pay for Stay Fund	(90,042)				90,042
Fund Omitted:					
Flexible Savings Fund					17,460
Fund Balance, January 1, 2015	<u>\$1,525,314</u>	<u>\$1,154,162</u>	<u>\$669,378</u>		<u>\$134,817</u>

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,837,391	\$15,025,527	(\$811,864)
Special Revenue	1,099,269	913,875	(185,394)
Capital Projects	200,521	515,327	314,806
Total	<u>\$17,137,181</u>	<u>\$16,454,729</u>	<u>(\$682,452)</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,934,505	\$15,895,485	\$39,020
Special Revenue	1,157,555	893,317	264,238
Capital Projects	620,901	620,900	1
Total	<u>\$17,712,961</u>	<u>\$17,409,702</u>	<u>\$303,259</u>

**Note 5 – Deposits and Investments**

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

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)**

	2015
Demand deposits	\$2,711,552
STAR Ohio	6,135
Total deposits and investments	\$2,717,687

***Deposits***

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

***Investments***

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**Note 6 – Interfund Balances**

Outstanding advances at December 31, 21015, consisted of \$50,000 advanced to the State Grants fund to provide working capital for grant programs.

**Note 7 – Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Commission pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

***Commercial Insurance***

The Commission has obtained commercial insurance for the following risks:

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

**Note 8 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

All Commission employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Commission contributed an amount equaling 14%, of participants' gross salaries. The Commission has paid all contributions required through December 31, 2015.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)**

**Note 9 – Contingent Liabilities**

The Commission is defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Commission's financial condition.

Amounts grantor agencies pay to the Commission are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.





# 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*

Corrections Commission of Northwest Ohio  
Williams County  
03151 County Road 2425  
Stryker, Ohio 43557-9418

To the Members of the Commission:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Corrections Commission of Northwest Ohio, Williams County, Ohio (the Commission) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 15, 2017, wherein we noted the Commission followed reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Commission elected to change the fund type reporting of several funds to properly report them in accordance with Government Accounting Standards Board Statement No. 54 and include a fund which previously omitted.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Commission'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 Commission'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 Commission's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-003 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Commission'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*.

***Entity's Response to Findings***

The Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Commission's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 15, 2017

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**Material Weakness - Financial Reporting**

Sound financial reporting is the responsibility of the Fiscal Manager and Board and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

The 2016 financial statements contained the following errors:

- The repayment of an advance from the State Grant Fund (400) to the Electronic Monitoring Fund (014) in the amount of \$50,000 was improperly reported as a reduction of Grants from State instead of an Advance Out in the State Grant Fund and as a Miscellaneous Revenue instead of an Advance In in the Electronic Monitoring Fund.
- Self-Insurance Fund balance and activity was recorded at the net amount of revenues less expenditures within the General Fund. This resulted in an understatement of Internal Service fund beginning fund balance in the amount of \$59,365, Operating Cash Receipts in the amount of \$4,100,963, Operating Cash Disbursements in the amount of \$4,329,282, and Non-Operating, Other Financing Sources in the amount of \$335,226. This resulted in an overstatement of General Fund beginning fund balance in the amount of \$59,365 and Miscellaneous Receipts in the amount of \$106,907.
- Intake Fund activity was recorded at the net amount of revenues less expenditures. This resulted in an understatement of Agency fund Non-Operating, Miscellaneous Receipts in the amount of \$223,450 and Non-Operating, Miscellaneous Disbursements in the amount of \$223,418.
- Inmate Work Release Fund activity was not reported in the financial statements. This resulted in an understatement of Agency fund revenues and expenditures in the amount of \$97,958.
- Inmate Pay for Stay Fund balance and activity was recorded at the net amount of revenues less expenditures within the General Fund. This resulted in an understatement of Agency fund beginning fund balance in the amount of \$103,506, Non-Operating, Miscellaneous Receipts in the amount of \$110,508, and Non-Operating, Miscellaneous Disbursements in the amount of \$110,360. This resulted in an overstatement of General Fund beginning fund balance in the amount of \$103,506 and Pay for Stay revenues in the amount of \$148.
- Employee Flexible Savings Fund balance and activity was not reported in the financial statements. This resulted in an understatement of Agency fund beginning fund balance in the amount of \$16,326, Non-Operating, Miscellaneous Receipts in the amount of \$86,812, and Non-Operating, Miscellaneous Disbursements in the amount of \$85,347.

The 2015 financial statements contained the following errors:

- The repayment of an advance from the State Grant Fund (400) to the General Fund (001) in the amount of \$50,000 was improperly reported as a reduction of Grants from State instead of an Advance Out in the State Grant Fund and as a Miscellaneous Revenue instead of an Advance In in the General Fund.
- The issuance of an advance from the Electronic Monitoring Fund (014) to the State Grant Fund (400) in the amount of \$50,000 was improperly reported as a reduction of Miscellaneous Revenue instead of an Advance Out in the Electronic Monitoring Fund and as Grants from State instead of an Advance In in the State Grant Fund.
- Self-Insurance Fund activity was recorded within the General Fund. This resulted in an understatement of Internal Service Operating Cash Receipts in the amount of \$59,365. This resulted in an overstatement of General Fund Miscellaneous Receipts in the amount of \$59,365.

- Intake Fund activity was recorded at the net amount of revenues less expenditures. This resulted in an understatement of Agency fund Non-Operating, Miscellaneous Receipts in the amount of \$178,341 and Non-Operating, Miscellaneous Disbursements in the amount of \$178,341.
- Inmate Work Release Fund activity was not reported in the financial statements. This resulted in an understatement of Agency fund revenues and expenditures in the amount of \$156,433.
- Inmate Pay for Stay Fund balance activity was recorded at the net amount of revenues less expenditures within the General Fund. This resulted in an understatement of Agency fund beginning fund balance in the amount of \$90,042, Non-Operating, Miscellaneous Receipts in the amount of \$127,369, and Non-Operating, Miscellaneous Disbursements in the amount of \$113,905. This resulted in an overstatement of General Fund beginning fund balance in the amount of \$90,042, Non-Operating and Pay for Stay revenues in the amount of \$13,464.
- Employee Flexible Savings Fund balance and activity was not reported in the financial statements. This resulted in an understatement of Agency fund beginning fund balance in the amount of \$17,460, Non-Operating, Miscellaneous Receipts in the amount of \$85,629, and Non-Operating, Miscellaneous Disbursements in the amount of \$86,763.

As a result of these errors, the Commission's financial statements did not correctly reflect the financial activity of the Commission for the fiscal years and were posted to the financial statements. Adjustments to the financial statements were made to reflect the errors.

These errors were not identified and corrected prior to the audit due to deficiencies in the Commission's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Fiscal Manager and Board and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To help ensure the Commission's financial statements are complete and accurate, we recommend the Fiscal Manager post all transactions in accordance with the guidance established by the Uniform School Accounting Manual issued by the Auditor of State. Furthermore, the Board should adopt policies and procedures, including a final review of the statements, to identify and correct errors and omissions.

#### **FINDING NUMBER 2016-002**

##### **Material Weakness – GASB 54 Fund Balance Reporting**

**Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions**, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Restricted fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints 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.

Committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of Council. Furthermore, if a capital projects fund has a transfer as its sole inflow and the governing body has identified a special purpose by ordinance or resolution, then the fund balance is committed.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general as it is the only fund with a positive unassigned fund balance.

The establishment and funding of a Reserve Account for the payment of future termination and severance payments was approved in the Board's Sixth Amended Operating Agreement. As of December 31, 2016, the balance in the Reserve Account was \$165,186. In addition, the General Fund had encumbrances of \$140,921 outstanding at December 31, 2016. Committed fund balance was understated \$165,186, assigned fund balance was understated \$140,921, and unassigned fund balance was overstated \$306,107.

The General Fund only had encumbrances of \$76,317 outstanding at December 31, 2015. Committed fund balance was overstated \$610,000, assigned fund balance was overstated \$208,228, and unassigned fund balance was understated \$655,356.

The Special Revenue funds are funded by grants and other externally restricted revenues. The Special Revenue fund balance of \$2,106,857 in 2016 was classified as unassigned instead of restricted.

The Capital fund is funded with capital per diem rates per the Board approved Operating Agreement and inmate phone commissions as approved by action of the Board, whereby committing these funds to capital project expenditures. The Capital Projects fund balance of \$1,215,715 in 2016 was classified as unassigned instead of committed. The Capital Projects fund balance of \$598,762 in 2015 was classified as assigned instead of committed.

Adjustments were recorded to the 2016 and 2015 financial statements to change the above differences in fund balance classification.

These errors were not identified and corrected prior to the audit due to deficiencies in the Commission's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Fiscal Manager and Board and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

In order to ensure the Commission's fund balances are reported in accordance with GASB 54, we recommend the Commission review and follow Auditor of State Bulletin 2011-004.

### **FINDING NUMBER 2016-003**

#### **Material Weakness – Fund Type Definitions**

**Governmental Accounting Standards Board (GASB) Statement No. 54, paragraphs 29 through 35,** sets forth the following governmental fund type definitions:

The general fund should be used to account for and report all financial resources not accounted for and reported in another fund

Special revenue funds are used to 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. The term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Those specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund. Those amounts should not be recognized as revenue in the fund initially receiving them; however, those inflows should be recognized as revenue in the special revenue fund in which they will be expended in accordance with specified purposes. Special revenue funds should not be used to account for resources held in trust for individuals, private organizations, or other governments.

The restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purpose of the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

Governments should disclose in the notes to the financial statements the purpose for each major special revenue fund-identifying which revenues and other resources are reported in each of those funds.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

In addition, **Governmental Accounting Standards Board (GASB) Statement No. 34, paragraphs 67 through 73**, sets forth the following proprietary and fiduciary fund type definitions:

Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)

- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. Internal service funds should be used only if the reporting government is the predominant participant in the activity. Otherwise, the activity should be reported as an enterprise fund.

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The three types of trust funds should be used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments. These funds are distinguished from agency funds generally by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Pension (and other employee benefit) trust funds should be used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Investment trust funds should be used to report the external portion of investment pools reported by the sponsoring government, as required by Statement 31, paragraph 18.

Private-purpose trust funds, such as a fund used to report escheat property, should be used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Agency funds should be used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

We found the following misclassifications of fund activity:

- The Electronic Monitoring fund (014) accounts for the electronic monitoring services of inmates not housed at the facility, but are under house arrest and can pay for the applicable fees of the service. The proceeds of these revenues are restricted to the use of the program by the sentencing judges and should be reported as a Special Revenue fund. This fund was originally reported as an Enterprise fund.
- The Inmate Support fund (015) accounts for monies received from commissary sales to inmates, purchasing of merchandise, and payment for inmate medical expenses. The proceeds of these revenues are restricted to by the Ohio Rev. Code for the benefit of the inmates and should be reported as a Special Revenue fund. This fund was originally reported as an Agency fund.
- The Intake fund (017) accounts for monies held on behalf of inmates and should be reported as an Agency fund. Monies received consist of monies on inmates when they are processed, work release payroll checks, and payments made to inmates' accounts by outside parties (i.e. family, friends). This fund was originally reported as a Private Purpose Trust fund.

Adjustments in fund classifications were recorded to the 2016 and 2015 financial statements.

These errors were not identified and corrected prior to the audit due to deficiencies in the Commission's internal controls over financial statement monitoring. Sound financial reporting is the responsibility of the Fiscal Manager and Board and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

In order to ensure the Commission's fund balances are reported in accordance with GASB 34, we recommend the Commission review and follow Auditor of State Bulletin 2005-005.

**Officials' Response:**

These findings will be addressed in 2017 as one bulk entry to the financial statements. As separate software tracks these entries, CCNO staff will now make entries into the USAS accounting system reflecting the necessary transactions. Going forward in 2018 and beyond, the entries will be done monthly to present the financial statements in the manner the Auditor of State requires. CCNO fiscal department will no longer post just the account change for the month. The revenues and expenditures will be posted separately for the month.





# Dave Yost • Auditor of State

**CORRECTIONS COMMISSION OF NORTHWEST OHIO**

**WILLIAMS 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 30, 2017**