



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## 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, 2018 and 2017.

### ***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 such 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.

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***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 (GAAP), 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 presume 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 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, 2018 and 2017, and the respective 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, 2018 and 2017, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2019, 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.



Keith Faber  
Auditor of State

Columbus, Ohio

July 10, 2019

**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, 2018**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Multi-Jurisdictional Inmate Beds	\$11,682,030		\$221,282	\$11,903,312
Grants from State		\$1,366,775		1,366,775
Rental Revenue (Bed Overages)	146,343			146,343
Nonmember Inmate Bed Rental and Transportation	5,205,505			5,205,505
Electronic Monitoring		510,222		510,222
Juvenile Center	37,510			37,510
Earnings on Investments	123			123
Commissary Commission		168,475		168,475
Medical Fee Revenue		5,178		5,178
Inmate Phone Commission			276,192	276,192
Member Reserve Funding	883,473			883,473
Miscellaneous	513,204	42,524	5,816	561,544
<i>Total Cash Receipts</i>	<u>18,468,188</u>	<u>2,093,174</u>	<u>503,290</u>	<u>21,064,652</u>
<b>Cash Disbursements:</b>				
Current:				
Salary, Wages and Benefits	11,986,577	372,793		12,359,370
Education, Training, Membership and Dues	14,463			14,463
Insurance	235,687	1,004		236,691
Travel	5,373	201		5,574
Supply Expenses	348,885	74,501		423,386
Contract Services	3,254,422	1,238,433		4,492,855
Postage Services	2,820	50		2,870
Utilities	664,984	15,379		680,363
Clothing and Linen	91,621	28,554		120,175
Repairs and Maintenance	161,284	8,390		169,674
Personnel Recruitment	25,957			25,957
Professional Services	117,273			117,273
Dry Cleaning	58,560	1,499		60,059
Non-Capital Equipment	53,822	11,292		65,114
Capital Outlay	58,763	16,262	766,869	841,894
<i>Total Cash Disbursements</i>	<u>17,080,491</u>	<u>1,768,358</u>	<u>766,869</u>	<u>19,615,718</u>
<i>Net Change in Fund Cash Balances</i>	1,387,697	324,816	(263,579)	1,448,934
<i>Fund Cash Balances, January 1</i>	<u>2,172,245</u>	<u>2,151,156</u>	<u>1,609,835</u>	<u>5,933,236</u>
Fund Cash Balances, December 31				
Restricted		2,475,972		2,475,972
Committed	1,333,640		1,346,256	2,679,896
Assigned	545,233			545,233
Unassigned	1,681,069			1,681,069
<i>Fund Cash Balances, December 31</i>	<u>\$3,559,942</u>	<u>\$2,475,972</u>	<u>\$1,346,256</u>	<u>\$7,382,170</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, 2018**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Internal Service	Agency	(Memorandum Only)
<b>Operating Cash Receipts:</b>			
Insurance Premiums	\$3,285,653		\$3,285,653
Stop Loss Coverage	398,325		398,325
Miscellaneous	71,962		71,962
<i>Total Operating Cash Receipts</i>	<u>3,755,940</u>		<u>3,755,940</u>
<b>Operating Cash Disbursements:</b>			
Claims	2,369,711		2,369,711
Administrative Fees	628,583		628,583
<i>Total Operating Cash Disbursements</i>	<u>2,998,294</u>		<u>2,998,294</u>
<i>Operating Income</i>	<u>757,646</u>		<u>757,646</u>
<b>Non-Operating Receipts (Disbursements):</b>			
Miscellaneous Receipts		\$983,964	983,964
Miscellaneous Disbursements		(975,465)	(975,465)
<i>Total Non-Operating Receipts (Disbursements)</i>		<u>8,499</u>	<u>8,499</u>
<i>Net Change in Fund Cash Balances</i>	757,646	8,499	766,145
<i>Fund Cash Balances, January 1</i>	<u>847,463</u>	<u>153,884</u>	<u>1,001,347</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,605,109</u>	<u>\$162,383</u>	<u>\$1,767,492</u>



**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**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.

***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.

***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:

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(CONTINUED)**

**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, Management does estimate receipts and budget expenditures (appropriations) internally. Appropriations and budgeted expenditures (that is disbursements and encumbrances) are presented to the Commission monthly. The Commission does encumber its expenditures against its appropriations. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

***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.

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(CONTINUED)**

***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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(CONTINUED)**

2018 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$18,297,366	\$18,468,188	\$170,822
Special Revenue	3,502,479	2,093,174	(1,409,305)
Capital Projects	786,407	503,290	(283,117)
Internal Service	3,500,000	3,755,940	255,940
Agency	1,100,000	983,964	(116,036)
Total	<u>\$27,186,252</u>	<u>\$25,804,556</u>	<u>(\$1,381,696)</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$18,671,196	\$17,625,724	\$1,045,472
Special Revenue	3,516,042	1,773,170	1,742,872
Capital Projects	1,115,980	1,045,543	70,437
Internal Service	3,500,000	2,998,294	501,706
Agency	1,100,000	975,465	124,535
Total	<u>\$27,903,218</u>	<u>\$24,418,196</u>	<u>\$3,485,022</u>

**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:

	2018
Demand deposits	<u>\$9,143,305</u>
STAR Ohio	<u>6,357</u>
Total deposits and investments	<u>\$9,149,662</u>

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**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, 2018  
(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. A comparison of Self-Insurance Fund cash and investments to the actuarially-measured liability as of December 31 follows:

	2018
Cash and investments	\$1,605,109
Actuarial liabilities	\$194,329

**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, 2018.

**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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

**Note 8 – Contingent Liabilities**

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, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Multi-Jurisdictional Inmate Beds	\$13,307,559		\$244,376	\$13,551,935
Grants from State		\$2,623,479		2,623,479
Rental Revenue (Bed Overages)	200,707			200,707
Nonmember Inmate Bed Rental and Transportation	2,959,420			2,959,420
Electronic Monitoring		508,502		508,502
Juvenile Center	53,251			53,251
Earnings on Investments	66			66
Commissary Commission		121,005		121,005
Medical Fee Revenue		7,417		7,417
Inmate Phone Commission			266,658	266,658
Member Reserve Funding	166,422			166,422
Miscellaneous	543,147	139,996		683,143
<i>Total Cash Receipts</i>	<u>17,230,572</u>	<u>3,400,399</u>	<u>511,034</u>	<u>21,142,005</u>
<b>Cash Disbursements:</b>				
Current:				
Salary, Wages and Benefits	11,352,853	446,839		11,799,692
Education, Training, Membership and Dues	22,714	480		23,194
Insurance	249,009	986		249,995
Travel	4,955	464		5,419
Supply Expenses	293,638	78,414		372,052
Contract Services	3,161,294	2,719,033		5,880,327
Postage Services	3,290			3,290
Utilities	595,126	11,753		606,879
Clothing and Linen	91,190	20,711		111,901
Repairs and Maintenance	117,947	12,124		130,071
Personnel Recruitment	24,065			24,065
Professional Services	107,027			107,027
Dry Cleaning	57,480	1,080		58,560
Non-Capital Equipment	37,555	57,749		95,304
Capital Outlay	23,208	6,467	116,914	146,589
<i>Total Cash Disbursements</i>	<u>16,141,351</u>	<u>3,356,100</u>	<u>116,914</u>	<u>19,614,365</u>
<i>Net Change in Fund Cash Balances</i>	1,089,221	44,299	394,120	1,527,640
<i>Fund Cash Balances, January 1</i>	<u>1,083,024</u>	<u>2,106,857</u>	<u>1,215,715</u>	<u>4,405,596</u>
Fund Cash Balances, December 31				
Restricted		2,151,156		2,151,156
Committed	320,156		1,609,835	1,929,991
Assigned	373,830			373,830
Unassigned	1,478,259			1,478,259
<i>Fund Cash Balances, December 31</i>	<u>\$2,172,245</u>	<u>\$2,151,156</u>	<u>\$1,609,835</u>	<u>\$5,933,236</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, 2017

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Internal Service	Agency	(Memorandum Only)
<b>Operating Cash Receipts:</b>			
Insurance Premiums	\$2,910,735		\$2,910,735
Stop Loss Coverage	727,677		727,677
Employer Contributions	250,000		250,000
Miscellaneous	62,148		62,148
<i>Total Operating Cash Receipts</i>	<u>3,950,560</u>		<u>3,950,560</u>
<b>Operating Cash Disbursements:</b>			
Claims	2,630,750		2,630,750
Administrative Fees	638,619		638,619
<i>Total Operating Cash Disbursements</i>	<u>3,269,369</u>		<u>3,269,369</u>
<i>Operating Income</i>	<u>681,191</u>		<u>681,191</u>
<b>Non-Operating Receipts (Disbursements):</b>			
Miscellaneous Receipts		\$925,815	925,815
Miscellaneous Disbursements		(923,392)	(923,392)
<i>Total Non-Operating Receipts (Disbursements)</i>		<u>2,423</u>	<u>2,423</u>
<i>Net Change in Fund Cash Balances</i>	681,191	2,423	683,614
<i>Fund Cash Balances, January 1</i>	<u>166,272</u>	<u>151,461</u>	<u>317,733</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$847,463</u></u>	<u><u>\$153,884</u></u>	<u><u>\$1,001,347</u></u>



**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**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 Fund:

***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.

***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.

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

**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, Management does estimate receipts and budget expenditures (appropriations) internally. Appropriations and budgeted expenditures (that is, disbursements and encumbrances) are presented to the Commission monthly. The Commission does encumber its expenditures against its appropriations. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

***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.

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

***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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

2017 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,518,025	\$17,230,572	(\$287,453)
Special Revenue	5,904,986	3,400,399	(2,504,587)
Capital Projects	384,728	511,034	126,306
Internal Service	3,269,368	3,950,560	681,192
Agency	923,393	925,815	2,422
Total	\$28,000,500	\$26,018,380	(\$1,982,120)

2017 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$17,658,946	\$16,515,181	\$1,143,765
Special Revenue	5,916,208	3,369,663	2,546,545
Capital Projects	450,834	446,487	4,347
Internal Service	3,269,368	3,269,369	
Agency	923,393	923,392	
Total	\$28,218,749	\$24,524,092	\$3,694,657

**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:

	2017
Demand deposits	\$6,928,348
STAR Ohio	6,235
Total deposits and investments	\$6,934,583

**Deposits**

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**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, 2017  
(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. A comparison of Self-Insurance Fund cash and investments to the actuarially-measured liability as of December 31 follows:

	2017
Cash and investments	\$847,463
Actuarial liabilities	\$218,770

**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 percent, of their gross salaries and the Commission contributed an amount equaling 14 percent, of participants' gross salaries. The Commission has paid all contributions required through December 31, 2017.

**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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Note 8 – Contingent Liabilities**

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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# OHIO AUDITOR OF STATE KEITH FABER



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## 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, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated July 10, 2019 wherein we noted the Commission followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***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. 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 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

***Commission's Response to Findings***

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Commission's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

July 10, 2019



**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2018-001**

**Finding for Recovery – Public Money Due but Not Collected**

The Corrections Commission of Northwest Ohio (the Commission) contracted with ABL Management Inc. (ABL), for the purpose of operating a commissary at the Corrections Center for the inmates. ABL operates under Summit Food Services, LLC (SFS).

Section 3. Financial Agreement, Part (C) Commissary of the Management Operating Agreement sets forth ABL shall assign a full-time manager to operate the commissary. The salary and benefits for this employee shall be paid from revenues generated from commissary sales. Other expenses charged to the commissary shall include office supplies, forms, and paper bags.

ABL shall retain all receipts from the commissary operation from which ABL shall be entitled to reimburse itself for its expenses, which shall include all Direct Costs (defined as all costs incurred by ABL directly attributable to the commissary services provided by ABL hereunder, including, but not limited to, labor and related payroll costs, license and permit fees, taxes, products, forms, paper bags and supplies) and Charges (defined as an amount established by ABL, which is reasonable allocated to CCNO, for certain services provided by ABL to client locations. Such Charges shall include, but are not limited to, a Charge for providing insurance and related services, a Charge for fringe benefits and human resource services, and a Charge for information technology).

In the event commissary receipts for any month exceed ABL’s expenses for the month, CCNO and ABL shall share such excess as follows: 50% to CCNO and 50% to ABL. ABL shall submit a detailed statement of operations of the commissary to CCNO on a monthly basis along with CCNO’s share of excess receipts.

We identified four monthly statements of operations of the commissary in which ABL improperly included commission payments in its expenses for the purpose of determining the month end commission. These errors were not identified and corrected due to deficiencies in internal controls over commissary receipts and resulted in the underpayment of commissions totaling \$42,828. A review of commissary receipts should be conducted by the fiscal office which includes recalculation of the commission amounts remitted.

			<b>Commissions</b>					
<b>Report</b>			<b>Included in</b>			<b>ABL</b>		
<b>Ending</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Calculated</b>	<b>Calculated</b>	<b>Amount</b>	<b>Overpayment/</b>	
<b>Date</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Expenditures</b>	<b>Net Profit</b>	<b>Commission</b>	<b>Remited</b>	<b>(Underpayment)</b>	
04/28/17	\$ 100,633	\$ 55,866	\$ 16,515	\$ 61,282	\$ 30,641	\$ 22,384	\$ (8,257)	
06/30/17	86,681	49,785	(2,631)	34,265	17,132.50	18,448	1,315.50	
07/28/17	68,004	53,934	11,368	25,438	12,719	7,035	(5,684)	
06/29/18	187,852	87,699	30,203	130,356	65,178	34,975	(30,203)	
						<b>Underpayment:</b>	<b>\$ (42,828.50)</b>	

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public monies due but not collected is hereby issued in the amount of \$42,828 against ABL Management Inc. and in favor of the Corrections Commission of Northwest Ohio Inmate Support Fund.

**Officials' Response:**

CCNO contracted with ABL for a three year contract beginning 2017.

ABL became Summit in April of 2017. Summit's operations at CCNO were not as expected. In addition to their operational issues, their finance department was disorganized which may have occurred due to the transition from ABL to Summit which took place in April of 2017. Interestingly, April was the first error on the part of Summit in the commission calculations.

Summit routinely would not invoice or provide commission statements to CCNO in a timely manner and sometimes their invoices and commission statements were as late as two months and as far as five months behind. They were unresponsive to our emails and phone calls during these times. Summit also failed to pay our inmate phone provider for phone cards and that provider formally notified CCNO that they would no longer provide phone cards to the inmates. After several phone calls and emails, we eventually got Summit to pay the bill.

In addition, they could not financially support the agreement that they signed and requested a midterm contract increase to the inmate meal cost. This and the disorganization of the financial reports is what prompted us to look elsewhere in the RFP process. Aramark was awarded the bid in November of 2018.

CCNO's concerns are that the documents provided calculated accurately, however it appears Summit inaccurately reported the numbers on the "commission line" which calculated lower revenues for CCNO on inmate commissary. This is a concern because we are splitting commissions with a vendor that we likely will not have complete access to all their proprietary records.

An RFP was done to replace ABL/Summit and the contract was awarded to Aramark. The Fiscal office has had formal meetings with Aramark's accountants to identify issues and concerns on their commission statements. Any issues have been corrected and we have received more detailed reports and this has given CCNO a better opportunity to identify errors as they occur. The Commission is considering filing a lawsuit if the money is not refunded.

# Corrections Commission of Northwest Ohio

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material Weakness – Financial reporting errors due to adjustments and reclassifications.	Correction action was taken and finding was fully corrected.	
2016-002	Material Weakness – Fund balances were incorrectly classified.	Correction action was taken and finding was fully corrected.	
2016-003	Material Weakness – Funds were incorrectly grouped by fund type.	Correction action was taken and finding was fully corrected.	

Serving the counties of Defiance, Fulton, Henry, Lucas, and Williams.

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# OHIO AUDITOR OF STATE KEITH FABER



**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  
JULY 23, 2019**