



OHIO AUDITOR OF STATE
KEITH FABER



**LORAIN/MEDINA COMMUNITY BASED CORRECTIONAL FACILITY
LORAIN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Lorain/Medina Community Based Correctional Facility
Lorain County
9892 Murray Ridge Road
Elyria, Ohio 44035

To the Facility Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each fund and the related notes of the Lorain/Medina Community Based Correctional Facility, Lorain County, (the Facility) as of and for the years ended June 30, 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 the Ohio Department of Rehabilitation and Corrections permits; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Facility'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 Facility'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 Facility prepared these financial statements using the accounting basis permitted by the financial reporting provisions of the Ohio Department of Rehabilitation and Corrections, 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 Facility 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 the Ohio Department of Rehabilitation and Corrections 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 Facility as of June 30, 2018 and 2017, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each fund of the Lorain/Medina Community Based Correctional Facility, Lorain County as of and for the years ended June 30, 2018 and 2017 in accordance with the financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits, 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 11, 2019, on our consideration of the Facility'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 Facility's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

July 11, 2019

**Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Lorain/Medina Community Based Correctional Facility
Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)
For the Year Ended June 30, 2018**

	<u>State Appropriations and Grants</u>		<u>Offender Funds</u>		Totals
	ODRC 501-501	Capital CAP 003	Resident Program	Offender Personal Funds	
Cash Receipts:					
Intergovernmental	\$3,275,875	0	0	0	\$3,275,875
Receipts for offenders	0	0	0	\$282,231	282,231
Commissions	0	0	\$113,579	0	113,579
Reimbursement	5,624	0	44,385	0	50,009
Other	0	0	1,226	0	1,226
Total Cash Receipts	<u>3,281,499</u>		<u>159,190</u>	<u>282,231</u>	<u>3,722,920</u>
Cash Disbursements:					
Personnel	2,215,342	0	0	0	2,215,342
Operating costs	452,204	0	0	0	452,204
Program costs	81,921	0	57,181	0	139,102
Equipment	27,356	0	0	0	27,356
Construction	0	\$37,602	0	0	37,602
Offender Disbursements:					
Offender reimbursements	0	0	0	250,541	250,541
Offender payments to CBCF	0	0	0	15,301	15,301
Offender savings paid at exit	0	0	0	22,378	22,378
Total Cash Disbursements	<u>2,776,823</u>	<u>37,602</u>	<u>57,181</u>	<u>288,220</u>	<u>3,159,826</u>
Disbursements from prior FY (Including refund to ODRC)	<u>465,613</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>465,613</u>
Total Receipts Over/(Under) Disbursements	<u>39,063</u>	<u>(37,602)</u>	<u>102,009</u>	<u>(5,989)</u>	<u>97,481</u>
Fund Cash Balances, July 1, 2017	<u>725,323</u>	<u>37,948</u>	<u>189,188</u>	<u>31,716</u>	<u>984,175</u>
Fund Cash Balances, June 30, 2018	<u>\$764,386</u>	<u>\$346</u>	<u>\$291,197</u>	<u>\$25,727</u>	<u>\$1,081,656</u>
Unpaid Obligations/Open Purchase Orders	<u>\$448,959</u>				

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

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Lorain/Medina Community Based Correctional Facility
Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 1 – Reporting Entity

The Lorain/Medina Community Based Correctional Facility (the Facility) provides an alternative to prison incarceration for felony offenders. The Facility is the last step in the continuum of increasing punishment before prison incarceration. The Facility is a minimum-security operation housing approximately 101 offenders (31 females, 70 males). A Facilities Governing Board oversees the Facility's operations. Common Pleas Judges from Lorain County comprise a Judicial Advisory Board. The Judicial Advisory Board appoints two-thirds of the members of the Facility Governing Board and advises the Facilities Governing Board regarding Facility matters. Medina County has opted not to participate in the governance of the Facility. The Facility serves the following counties:

Lorain

Medina

For the year ended June 30, 2018, the financial statement presents all funds related to the Facility.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Facility's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Fund Accounting

The Facility 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 Facility are presented below:

State Appropriations and Grants

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

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

Offender Funds

Offender Personal Funds Are amounts the Facility receives and holds in a custodial capacity for each offender while confined. The Facility holds personal funds, including salaries offenders earn while confined, and maintains separate balances for each offender. The Facility makes payments as directed by the offender or per program requirements. Upon release, the Facility pays remaining funds to the offender.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Lorain/Medina Community Based Correctional Facility
Notes to the Financial Statements
For the Year Ended June 30, 2018

Resident Program Fund This fund receives other funds, such as telephone and commissary commissions, and per diem rates charged to employed offenders. This fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment. The Offender Personal Fund reimburses this Fund for costs chargeable to the Fund.

Basis of Accounting

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

Budgetary Process

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

Encumbrances Disbursements from State appropriations and Grants are subject to Lorain County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. The budgetary disbursement amounts reported in Note 3 include cash disbursed against the current year budget plus amounts spent within ninety days of June 30 to liquidate year-end commitments. Amounts not liquidated within ninety days of June 30 are subject to refund to ODRC, unless ODRC approves an extension. (See Note 5)

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

Accumulated Leave

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

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Lorain/Medina Community Based Correctional Facility
Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 3 – Budgetary Activity

Budgetary activity for ODRC 501-501 funding the year ending June 30, 2018 follows:

2018 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$3,684,469	\$3,632,459	\$52,010

Note 4 – Collateral on Deposits and Investments

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

Offender Funds

Deposits Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Commission.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Lorain/Medina Community Based Correctional Facility
Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 5 – Refund to ODRC

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

Refund to ODRC	
	2018
Cash, July 1	\$725,323
Disbursements Against Prior Year Budget	(\$406,677)
Payable to ODRC, July 1	(\$82,406)
Sub-Total	\$236,240
501 Cash Receipts	3,275,875
Budgetary Basis Disbursements	(3,225,782)
Amount Subject to Refund, June 30	\$286,333
One-Twelfth of 501 Award	(272,989)
Refundable to ODRC	\$13,344
Calculation of Payable to ODRC	
	2018
Payable, July 1	82,406
Cash Refunded	(\$58,936)
Refundable to ODRC, June 30	13,344
Payable, June 30	36,814

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Lorain/Medina Community Based Correctional Facility
Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 6 – Risk Management

Workers Compensation coverage is provided by the State of Ohio. The Facility is included in Lorain County's Workers Compensation premium. Premiums due to the State are calculated by Lorain County and charged to the Facility.

Commercial Insurance

The Facility is included in Lorain County's commercial insurance policies for the following risks:

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

During 2018, the Facility paid \$0.00 for losses that exceeded insurance coverage.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Facility contributed an amount equaling 14 percent, of participants' gross salaries. The Facility has paid all contributions required through June 30, 2018.

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. 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.

Note 9 – Contingent Liabilities

The Facility has become a defendant in a legal action. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Although the outcome of this lawsuit is not presently determinable, it is the opinion of the Facility's counsel that a resolution of this matter will not have a material adverse effect on the financial condition of the Facility.

**Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Lorain/Medina Community Based Correctional Facility
Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)
For the Year Ended June 30, 2017**

	<u>State Appropriations and Grants</u>		<u>Offender Funds</u>		
	ODRC 501-501	Capital CAP 003	Resident Program	Offender Personal Funds	Totals
Cash Receipts:					
Intergovernmental	\$3,911,875	\$4,905,990	0		\$8,817,865
Receipts for offenders	0	0	0	\$161,261	161,261
Commissions	0	0	\$52,912	0	52,912
Reimbursement	278	0	48,331	0	48,609
Other	0	0	25,000	0	25,000
Total Cash Receipts	<u>3,912,153</u>	<u>4,905,990</u>	<u>126,243</u>	<u>161,261</u>	<u>9,105,647</u>
Cash Disbursements:					
Personnel	1,837,467	0	0	0	1,837,467
Operating costs	333,030	0	13,190	0	346,220
Program costs	69,422	0	44,674	0	114,096
Equipment	25,674	0	0	0	25,674
Construction costs	0	4,868,388	0	0	4,868,388
Offender Disbursements:					
Offender reimbursements	0	0	0	122,203	122,203
Offender payments to CBCF	0	0	0	16,617	16,617
Offender savings paid at exit	0	0	0	4,082	4,082
Total Cash Disbursements	<u>2,265,593</u>	<u>4,868,388</u>	<u>57,864</u>	<u>142,902</u>	<u>7,334,747</u>
Disbursements from prior FY (Including refund to ODRC)	<u>1,367,151</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,367,151</u>
Total Receipts Over/(Under) Disbursements	<u>279,409</u>	<u>37,602</u>	<u>68,379</u>	<u>18,359</u>	<u>403,749</u>
Fund Cash Balances, July 1, 2016	<u>445,914</u>	<u>346</u>	<u>120,809</u>	<u>13,357</u>	<u>580,426</u>
Fund Cash Balances, June 30, 2017	<u><u>\$725,323</u></u>	<u><u>\$37,948</u></u>	<u><u>\$189,188</u></u>	<u><u>\$31,716</u></u>	<u><u>\$984,175</u></u>
Unpaid Obligations/Open Purchase Orders	<u><u>\$408,594</u></u>				

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

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Lorain/Medina Community Based Correctional Facility
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 1 – Reporting Entity

The Lorain/Medina Community Based Correctional Facility (the Facility) provides an alternative to prison incarceration for felony offenders. The Facility is the last step in the continuum of increasing punishment before prison incarceration. The Facility is a minimum security operation housing approximately 110 offenders (28 females, 82 males) as of June 30, 2017. A Facilities Governing Board oversees the Facility's operations. Common Pleas Judges from Lorain County comprise a Judicial Advisory Board. The Judicial Advisory Board appoints two-thirds of the members of the Facility Governing Board and advises the Facilities Governing Board regarding Facility matters. Medina County has opted not to participate in the governance of the Facility. The Facility serves the following counties:

Lorain Medina

For the year ended June 30, 2017, the financial statement presents all funds related to the Facility.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Facility's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Fund Accounting

The Facility 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 Facility are presented below:

State Appropriations and Grants

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

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

Offender Funds

Offender Personal Funds Are amounts the Facility receives and holds in a custodial capacity for each offender while confined. The Facility holds personal funds, including salaries offenders earn while confined, and maintains separate balances for each offender. The Facility makes payments as directed by the offender or per program requirements. Upon release, the Facility pays remaining funds to the offender.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Lorain/Medina Community Based Correctional Facility
Notes to the Financial Statements
For the Year Ended June 30, 2017

Resident Program Fund This fund receives other funds, such as telephone and commissary commissions, and per diem rates charged to employed offenders. This fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment. The Offender Personal Fund reimburses this Fund for costs chargeable to the Fund.

Basis of Accounting

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

Budgetary Process

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

Encumbrances Disbursements from State appropriations and Grants are subject to Lorain County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. The budgetary disbursement amounts reported in Note 3 include cash disbursed against the current year budget plus amounts spent within ninety days of June 30 to liquidate year-end commitments. Amounts not liquidated within ninety days of June 30 are subject to refund to ODRC, unless ODRC approves an extension. (See Note 5)

A summary of 2017 budgetary activity appears in Note 3.

Deposits

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

Accumulated Leave

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

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Lorain/Medina Community Based Correctional Facility
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 3 – Budgetary Activity

Budgetary activity for ODRC 501-501 funding the year ending June 30, 2017 follows:

<u>2017 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
<u>Appropriation</u>	<u>Budgetary</u>	
<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
\$3,083,410	\$2,941,059	\$142,351

Note 4 – Collateral on Deposits and Investments

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

Offender Funds

Deposits

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

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Lorain/Medina Community Based Correctional Facility
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 5 – Refund to ODRC

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

*An amendment to reduce the Facility’s budget by \$1,100,000 was initiated after receipts for the original approved budget of \$3,911,875 were received in April 2017. \$1,100,000 was refunded to ODRC in May 2017 resulting in a final approved budget of \$2,811,875 for the Facility for FY17. In April 2017, the Facility received and refunded \$278 to ODRC for a reimbursement it received from a vendor for a FY16 expense.

Refund to ODRC	
	2017
Cash, July 1	\$445,914
Disbursements Against Prior Year Budget	(\$266,872)
Payable to ODRC, July 1	(\$131)
Sub-Total	\$178,911
501 Cash Receipts*	3,912,153
Budgetary Basis Disbursements	(2,674,187)
Amount Subject to Refund, June 30	\$1,416,877
One-Twelfth of 501 Award	(234,323)
Refundable to ODRC	\$1,182,554
Calculation of Payable to ODRC	
	2017
Payable, July 1	131
Cash Refunded	(1,100,279)
Refundable to ODRC, June 30	1,182,554
Payable, June 30	82,406

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Lorain/Medina Community Based Correctional Facility
Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 6 – Risk Management

Workers Compensation coverage is provided by the State of Ohio. The Facility is included in Lorain County's Workers Compensation premium. Premiums due to the State are calculated by Lorain County and charged to the Facility.

Commercial Insurance

The Facility has obtained commercial insurance for the following risks

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

During 2017, the Facility paid \$0.00 for losses that exceeded insurance coverage.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Facility contributed an amount equaling 14 percent, of participants' gross salaries. The Facility has paid all contributions required through June 30, 2017.

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.

Note 9 – Contingent Liabilities

The Facility has become a defendant in a legal action. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Although the outcome of this lawsuit is not presently determinable, it is the opinion of the Facility's counsel that a resolution of this matter will not have a material adverse effect on the financial condition of the Facility.

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

Lorain/Medina Community Based Correctional Facility
Lorain County
9892 Murray Ridge Road
Elyria, Ohio 44035

To the Facility Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements for each fund of the Lorain/Medina Community Based Correctional Facility, Lorain County, (the Facility) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated July 11, 2019, wherein we noted the Facility followed financial reporting provisions the Ohio Department of Rehabilitations and Corrections prescribes or permits.

Internal Control Over Financial Reporting

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

July 11, 2019

OHIO AUDITOR OF STATE KEITH FABER



LORAIN MEDINA COMMUNITY BASED CORRECTIONAL FACILITY

LORAIN 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**