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## **Community Correctional Center of Butler, Clermont and Warren Counties**

Financial Statements

Years Ended June 30, 2010 and 2009

with Independent Auditors' Report







# Dave Yost • Auditor of State

Governing Board  
Community Correctional Center of Butler, Clermont, and Warren Counties  
5234 State Route 63  
Lebanon, Ohio 45036

We have reviewed the *Independent Auditors' Report* of the Community Correctional Center of Butler, Clermont, and Warren Counties, Warren County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2008 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Ohio Department of Rehabilitation and Corrections. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Ohio Department of Rehabilitation and Corrections does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Ohio Department of Rehabilitation and Corrections permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Community Correctional Center of Butler, Clermont, and Warren Counties is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

December 1, 2011

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Facility Governing Board  
Community Correctional Center of Butler, Clermont, and Warren Counties:

We have audited the accompanying financial statements of Community Correctional Center of Butler, Clermont, and Warren Counties, Warren County, Ohio (the Center) as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the Center has prepared these financial statements using accounting practices the Ohio Department of Rehabilitation and Corrections prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the Center does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Center uses. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Center as of June 30, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances and unpaid obligations of Community Correctional Center of Butler, Clermont, and Warren Counties, Warren County, Ohio as of June 30, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Center has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2011, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
September 26, 2011



COMMUNITY CORRECTIONAL CENTER OF BUTLER, CLERMONT AND WARREN COUNTIES  
WARREN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010

	State Appropriations and Grants		Offender Funds			Totals
	ODRC 501-501	Federal	Offender Personal Funds	Telephone Commissions	Other/ Misc.	
Revenue:						
Intergovernmental	\$ 2,926,740	71,617				2,998,357
Collections from offenders				25,161	25	25,186
Commissions				35,092	304	35,396
Reimbursement				104	1,717	1,821
<b>Total Revenue</b>	<b>2,926,740</b>	<b>71,617</b>	<b>-</b>	<b>60,357</b>	<b>2,046</b>	<b>3,060,760</b>
Expenses:						
Personnel	1,739,195	42,000		34,761		1,815,956
Operating costs	856,937	19,345		29,072	1,453	906,807
Program costs	246,258				593	246,851
Equipment	45,439	10,272				55,711
<b>Total Expenses</b>	<b>2,887,829</b>	<b>71,617</b>	<b>-</b>	<b>63,833</b>	<b>2,046</b>	<b>3,025,325</b>
Current FY Payable to ODRC	37,412					37,412
<b>Total Revenue Over/(Under) Expenses</b>	<b>1,499</b>	<b>-</b>	<b>-</b>	<b>(3,476)</b>	<b>-</b>	<b>(1,977)</b>
Fund Balances, July 1	242,395	-	1,759	11,305	-	255,459
Fund Balances, June 30	\$ 243,894	-	1,759	7,829	-	253,482

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

COMMUNITY CORRECTIONAL CENTER OF BUTLER, CLERMONT AND WARREN COUNTIES  
WARREN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
FOR THE YEAR ENDED JUNE 30, 2009

	State Appropriations and Grants		Offender Funds			Totals
	ODRC 501-501	Federal	Offender Personal Funds	Telephone Commissions	Other/ Misc.	
Revenue:						
Intergovernmental	\$ 2,908,740	81,939				2,990,679
Collections from offenders				25,468		25,468
Commissions				34,111	80	34,191
Reimbursement					6,077	6,077
<b>Total Revenue</b>	<b>2,908,740</b>	<b>81,939</b>	<b>-</b>	<b>59,579</b>	<b>6,157</b>	<b>3,056,415</b>
Expenses:						
Personnel	1,657,325	46,054				1,703,379
Operating costs	890,744	20,798		22,935	2,887	937,364
Program costs	246,554	13,549		27,296	3,270	290,669
Equipment	82,029	1,538				83,567
<b>Total Expenses</b>	<b>2,876,652</b>	<b>81,939</b>	<b>-</b>	<b>50,231</b>	<b>6,157</b>	<b>3,014,979</b>
Current FY Payable to ODRC	25,944					25,944
<b>Total Revenue Over/(Under) Expenses</b>	<b>6,144</b>	<b>-</b>	<b>-</b>	<b>9,348</b>	<b>-</b>	<b>15,492</b>
Fund Balances, July 1	236,251	-	1,759	1,957	-	239,967
Fund Balances, June 30	\$ 242,395	-	1,759	11,305	-	255,459

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

**COMMUNITY CORRECTIONAL CENTER OF BUTLER, CLERMONT,  
AND WARREN COUNTIES  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Community Correctional Center of Butler, Clermont, and Warren Counties, Warren County, Ohio (the Center), provides an alternative to prison incarceration for felony offenders. The Center is the last step in the continuum of increasing punishment before prison incarceration. The Center is a minimum security operation housing approximately 100 offenders. A Facilities Governing Board oversees the Center's operations. The Judicial Advisory Board appoints two-thirds of the members of the Facility Governing Board and advises the Facilities Governing Board regarding Center matters. The Center serves Butler, Clermont and Warren Counties.

For the years ended June 30, 2010 and 2009, the financial statement presents all funds related to the Center.

The Facilities Governing Board has contracted Center operation responsibilities to Talbert House, a non-profit organization. Talbert House is responsible for essentially all management decisions related to the Center, subject to the Facilities Governing Board's oversight.

**B. Basis of Accounting**

These financial statements follow the modified accrual basis of accounting the Ohio Department of Rehabilitation and Corrections prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis.

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

The Center is a cost center on the books of Talbert House. In compliance with the reporting requirements of the Ohio Department of Rehabilitation and Corrections, any capital equipment that is purchased is expensed during the period of acquisition less amounts of the refund payable due to ODRC. See Note 4.

**C. Cash**

Talbert House is the custodian for the Center's cash. Talbert House segregates cash related to the Industrial and Entertainment (I&E)/Telephone Commission fund in a separate bank account.

Talbert House commingles the Center's State Appropriations and Grants with cash from non-CBCF activities. Ending Fund Balance on the statements represents a net receivable from Talbert House.

**D. Fund Accounting**

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

## 1. Summary of Significant Accounting Policies (Continued)

### 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 Center to support general operating costs.

Federal: Reports amounts received from the Federal government, including amounts passed through ODRC. The Center received ABLE, School Lunch, and Title I grants during the audit period. ABLE and Title I grants are used for teacher salaries, equipment and supplies. These are both cost reimbursement grants.

<u>Grant Name</u>	<u>Pass-Through Entity</u>	<u>Description of Grant</u>
ABLE	ODRC	Funding for adult basic literacy and education program
Title I	ODRC	Federal funding to help academically at risk students
National School Lunchroom	ODE	Funding to provide nutritious meals for children

### Offender Funds

Industrial and Entertainment Fund: This fund receives other Offender Funds, such as telephone commissions. This fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment.

## E. Budgetary Process

### 1. Appropriations

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

### 2. Encumbrances

The Center had no encumbrances outstanding on June 30, 2010 or June 30, 2009.

A summary of 2010 and 2009 budgetary activity appears in Note 2.

## F. Property, Plant, and Equipment

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

## G. Accumulated Leave

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

## 2. Budgetary Activity

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2010 and 2009 follows:

2010 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$ 2,926,740	2,887,829	38,911

  

2009 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$ 2,908,740	2,876,652	32,088

## 3. Collateral on Deposits and Investments

### Grants and State Appropriations

Talbert House, as custodian of the Center's cash, is responsible for collateralizing deposits and investments for grants and State appropriations. Talbert House maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. Talbert House has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

## 4. Refund to ODRC

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

Refund to ODRC		
	2010	2009
Beginning Balance, July 1	\$ 268,339	\$ 241,650
Disbursements Against Prior Year Budget	-	-
Payable to ODRC, July 1	(25,944)	(5,399)
Sub-Total	242,395	236,251
501 Receipts	2,926,740	2,908,740
Budgetary Basis Disbursements	(2,887,829)	(2,876,652)
Amount Subject to Refund, June 30	281,306	268,339
One-Twelfth of 501 Award	(243,894)	(242,395)
Refundable to ODRC	\$ 37,412	\$ 25,944

Calculation of Payable to ODRC		
	2010	2009
Payable, July 1	\$ 52,937	\$ 26,993
Cash Refunded	-	-
Refundable to ODRC, June 30	37,412	25,944
Payable, June 30	\$ 90,349	\$ 52,937

## 5. Retirement Systems

The employees of the Community Based Correctional Facility are not members of the Ohio Public Employee Retirement System. All employees contribute to Social Security.

The Center's employees may contribute pre-tax dollars to a 403(b) plan at time of hire. Talbert House contributes to an employee's plan after 18 months of employment with increasing contribution rates based on length of employment. The Center contributions for the fiscal years 2010 and 2009 are \$55,510 and \$44,834 respectively. The Center has paid all contributions required through June 30, 2010.

## 6. Risk Management

### Commercial Insurance

The Center has obtained commercial insurance from allocated cost of Talbert House (As disclosed in Note 7) for the following risks: Comprehensive property and general liability, Vehicles, Professional liability, Director and officer liability, Fiduciary liability, Excess liability, Directors and Officers, Sexual Molestation/Abuse Coverage, Accident Policy, and Computer Coverage Policy.

## 7. Related Party Transactions

Talbert House allocates central service costs to the Center. The allocation methods are systemic across the agency and charged monthly in the financial statements. Allocation methods and amounts for the period are:

<b>Expense Allocated</b>	<b>Allocation Method</b>	<b>FY10 Allocation</b>	<b>FY09 Allocation</b>
Administration, Finance, Public Relations	Total Cost Center Expense	\$ 242,258	\$ 220,442
Human Resources Training, Quality & Clinical Services	Full-time Equivalents	114,546	112,144
Management Information Systems	Number of Computers	48,131	46,524
Drug Lab Costs	Number of Monthly Tests	10,999	8,415
Fringe Benefits	Total Paid Hours, Total Payroll Dollars	247,005	236,867
FICA, Workers Compensation, Unemployment Taxes	Total Payroll Dollars	138,738	125,803
Primary Care	Number of Care Visits	55,699	55,987
Professional Liability Insurance	Budgeted Wages	7,541	8,523
General Liability Insurance Property Insurance	Total Property Values (except for Information System Insurance which is based on number of PC users)	20,275	18,099

Additionally, the Center received \$1,625 and \$4,720 from Turtle Creek Center, another division of Talbert House, for use of the van during fiscal 2010 and fiscal 2009 respectively. The income offset the transportation costs charged to the grant.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Facility Governing Board  
Community Correctional Center of Butler, Clermont, and Warren Counties:

We have audited the financial statements of the Community Correctional Center of Butler, Clermont, and Warren Counties, Warren County, Ohio, (the Center) as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated September 26, 2011, wherein we noted the Center followed accounting practices the Ohio Department of Rehabilitations and Corrections prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Center in a separate letter dated September 26, 2011.

This report is intended solely for the information and use of management, others within the entity, and the Facility Governing Board and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
September 26, 2011



**COMMUNITY CORRECTIONAL CENTER OF BUTLER,  
CLERMONT AND WARREN COUNTIES**

Schedule of Prior Audit Findings  
Years Ended June 30, 2010 and 2009

**Finding 2008-001**

The Community Based Correctional Facility Grant Manual '07 and '08-'09 Section II, F.3.h (pg. 25-26); states in part that a Community Based Correctional Facility (CBCF) must complete the year-end cash reconciliation on their final report submitted to the Ohio Department of Rehabilitation and Corrections (ODRC). The year-end cash reconciliation will identify the amount of unspent funds that the Center must submit back to the ODRC upon their request. This amount is to be the lesser of the year-end cash balance on hand or one twelfth of the current year 501 receipts. During testing of the Center's calculation of the refund due to ODRC we noted the Center did not accurately report the beginning cash balance for fiscal year 2007. The Center reported the beginning fund (501) balance was \$175,772 but from review of the previous audit the actual beginning fund (501) balance was \$196,528. This is a variance of \$20,756. After recalculation using the previous year's audit balance the Center now will have a refund due to ODRC in the amount of \$21,594 for fiscal year 2007 and a refund due to ODRC in the amount of \$5,399 for fiscal year 2008. We recommend the Center contact ODRC and make arrangements to repay this amount.

**Status:** *Corrected*

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# Dave Yost • Auditor of State

**COMMUNITY CORRECTIONAL CENTER OF BUTLER, CLERMONT, AND WARREN COUNTIES**

**WARREN COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 13, 2011**