



Dave Yost • Auditor of State



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

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 and related notes of the Lorain/Medina Community Based Correctional Facility, Lorain County, Ohio (the Facility) as of and for the years ended June 30, 2014 and 2013.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the 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 opinion.

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

As described in Note 1 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, to satisfy requirements.

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Facility as of June 30, 2014 and 2013, or changes in financial position thereof for the year then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Lorain/Medina Community Based Correctional Facility, Lorain County, Ohio as of June 30, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the 2012 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 24, 2015

**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 (CASH BASIS)  
FOR THE PERIOD ENDED JUNE 30, 2014**

	State Appropriations and Grants		Offender Funds		Totals
	ODRC 501-501	Capital CAP 003	Resident Program	Offender Personal Funds	
<b>Cash Receipts:</b>					
Intergovernmental	\$1,895,839				\$1,895,839
Receipts for offenders				\$108,875	108,875
Commissions			\$15,965		15,965
Reimbursement			26,987		26,987
Other	6,142				6,142
Total Cash Receipts	1,901,981		42,952	108,875	2,053,808
<b>Cash Disbursements:</b>					
Personnel	1,468,827				1,468,827
Operating costs	275,517		16,000		291,517
Program costs	62,535				62,535
Equipment	8,683				8,683
Offender Disbursements:					
Offender legal obligations				14	14
Offender reimbursements			20,436	60,950	81,386
Offender payments to CBCF				18,677	18,677
Offender savings paid at exit				4,134	4,134
Total Cash Disbursements	1,815,562		36,436	83,775	1,935,773
Disbursements from prior FY (Including refund to ODRC)	103,719				103,719
Total Receipts Over/(Under) Disbursements	(17,300)		6,516	25,100	14,316
Fund Cash Balances, July 1, 2013	258,352	\$346	83,560	19,616	361,874
Fund Cash Balances, June 30, 2014	<u>\$241,052</u>	<u>\$346</u>	<u>\$90,076</u>	<u>\$44,716</u>	<u>\$376,190</u>
Unpaid Obligations/Open Purchase Orders	<u>\$92,508</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**

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

	<u>State Appropriations and Grants</u>		<u>Offender Funds</u>		<u>Totals</u>
	ODRC 501-501	Capital CAP 003	Resident Program	Offender Personal Funds	
<b>Cash Receipts:</b>					
Intergovernmental	\$1,894,530				\$1,894,530
Receipts for offenders				\$105,393	105,393
Commissions			\$19,052		19,052
Reimbursement			27,901		27,901
Other					0
<b>Total Cash Receipts</b>	<u>1,894,530</u>		<u>46,953</u>	<u>105,393</u>	<u>2,046,876</u>
<b>Cash Disbursements:</b>					
Personnel	1,436,736				1,436,736
Operating costs	269,919		15,000		284,919
Program costs	84,793				84,793
Equipment	4,843				4,843
Other			727		727
<b>Offender Disbursements:</b>					
Offender legal obligations				18	18
Offender reimbursements			10,132	69,289	79,421
Offender payments to CBCF				21,677	21,677
Offender savings paid at exit				3,781	3,781
<b>Total Cash Disbursements</b>	<u>1,796,291</u>		<u>25,859</u>	<u>94,765</u>	<u>1,916,915</u>
Disbursements from prior FY (Including refund to ODRC)	<u>153,591</u>				<u>153,591</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(55,352)</u>		<u>21,094</u>	<u>10,628</u>	<u>-23,630</u>
Fund Cash Balances, July 1, 2012, Restated	<u>313,704</u>	<u>\$346</u>	<u>62,466</u>	<u>8,988</u>	<u>385,504</u>
Fund Cash Balances, June 30, 2013	<u>\$258,352</u>	<u>\$346</u>	<u>\$83,560</u>	<u>\$19,616</u>	<u>\$361,874</u>
Unpaid Obligations/Open Purchase Orders	<u>\$96,356</u>				

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



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

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

**1. Summary of Significant Accounting Policies**

**A. Description of the 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 62 male and 18 female offenders as of June 30, 2014. A Facilities Governing Board oversees the Facility's operations. Common Pleas Judges from Lorain County comprise a Judicial Advisory Board. Common Pleas Judges and Lorain County Commissioners each appoint a member to the Facility Governing Board. Medina County has opted not to participate in the governance of the Facility. The Facility serves Lorain and Medina Counties.

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

**B. Accounting Basis**

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.

**C. 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.

**D. Fund Accounting**

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

**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.

**LORAIN/MEDINA CORRECTIONAL FACILITY  
LORAIN COUNTY**

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

**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.

Resident Program Fund: This fund receives other Offender 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.

**E. Budgetary Process**

**1. 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.

**2. 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 2014 and 2013 budgetary activity appears in Note 2.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**2. Correction of an Error in Previously Issued Financial Statements**

Prior year fund balances were incorrectly reported in the ODRC 501-501, Resident Program, and Offender Personal Funds in the previous fiscal years due to a misuse of facts that existed at the time the financial statements were prepared. The following adjustments were made to the June 30, 2012 fund balances:

**LORAIN/MEDINA CORRECTIONAL FACILITY  
LORAIN COUNTY**

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

<u>Explanation</u>	<u>ODRC 501-501</u>	<u>Resident Program</u>	<u>Offender Personal Funds</u>
Fund Balance at 6/30/12	\$ 312,489	\$ 50,655	\$ 21,500
Overstatement of beginning fund balances			(12,512)
Understatement of beginning fund balances	1,215	11,811	
Restated Balance at 7/1/12	<u>\$ 313,704</u>	<u>\$ 62,466</u>	<u>\$ 8,988</u>

**3. Budgetary Activity**

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2014 and 2013 follows:

<u>2014 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
<u>Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<u>\$1,929,109</u>	<u>\$1,908,070</u>	<u>\$21,039</u>

<u>2013 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
<u>Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<u>\$1,894,530</u>	<u>\$1,892,647</u>	<u>\$1,883</u>

**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. There were no uncollateralized amounts at June 30, 2014 and 2013.

**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 years ending June 30. Disbursements below include cash paid to liquidate encumbrances outstanding at June 30 and exclude disbursements made during the fiscal year against amounts encumbered the prior June 30. The Facility refunds amounts computed below in the fiscal year following the computation below.

**LORAIN/MEDINA CORRECTIONAL FACILITY  
LORAIN COUNTY**

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

Refund to ODRC

	2014	2013
Cash, July 1	\$ 258,352	\$ 313,704
Disbursements Against Prior Year Budget	(96,356)	(135,909)
Payable to ODRC, July 1	(4,119)	(17,682)
Sub-Total	<u>157,878</u>	<u>160,113</u>
501 Cash Receipts	1,895,839	1,894,530
Budgetary Basis Disbursements	<u>(1,908,070)</u>	<u>(1,892,647)</u>
Amount Subject to Refund, June 30	145,647	161,996
One-Twelfth of 501 Award	<u>(145,647)</u>	<u>(157,878)</u>
Refundable to ODRC	<u>\$ -</u>	<u>\$ 4,119</u>

Calculation of Payable to ODRC

	2014	2013
Payable, July 1	\$ 4,119	\$ 17,682
Cash Refunded	(1,319)	(17,682)
Refundable to ODRC, June 30	-	4,119
Payable, June 30	<u>\$ 2,800</u>	<u>\$ 4,119</u>

**6. Retirement Systems**

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

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

**7. Risk Management**

**Commercial Insurance**

The Facility has obtained commercial insurance for the following risks:

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



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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 Lorain/Medina Community Based Correctional Facility, Lorain County, Ohio (the Facility) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2015, wherein we noted the Facility followed 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, to satisfy requirements. We also noted the Facility's 2012 financial statements have been restated to correct a misstatement.

### ***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 opinion 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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 24, 2015



# Dave Yost • Auditor of State

**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  
MARCH 10, 2015**