

**WESTERN OHIO REGIONAL TREATMENT
AND HABILITATION CENTER
ALLEN COUNTY
Regular Audit
For the Years Ended June 30, 2014 and 2013**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Members of the Governing Board
Western Ohio Regional Treatment and Habilitation Center
243 East Bluelick Road
Lima, Ohio 45802

We have reviewed the *Independent Auditor's Report* of the Western Ohio Regional Treatment and Habilitation Center, Allen County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2012 through June 30, 2014. 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.

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 Western Ohio Regional Treatment and Habilitation Center is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

April 16, 2015

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**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

December 29, 2014

Western Ohio Regional Treatment and Habilitation Center
Allen County
243 East Bluelick Road
Lima, Ohio 45802

To the Members of the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Western Ohio Regional Treatment and Habilitation Center**, Allen 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 cash balances of the Western Ohio Regional Treatment and Habilitation Center, Allen County, Ohio, as of June 30, 2014 and 2013, and its 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014, 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY, OHIO**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	State Appropriations and Grants		Offender Funds				Totals
	ODRC 501-501 Funding	Federal	Offender Personal Funds	I&E Fund Phone/Commissary Commissions	Commissary	Vending and Other / Miscellaneous	
Receipts:							
Intergovernmental	\$ 2,746,154	\$ 5,136	\$ -	\$ -	\$ -	\$ -	\$ 2,751,290
Receipts for offenders	-	-	96,036	-	-	-	96,036
Commissions	-	-	-	-	6,200	18,468	24,668
Reimbursement	-	-	-	9,831	22,509	3,075	35,415
Other income/interest	-	-	-	-	1	-	1
Total receipts	2,746,154	5,136	96,036	9,831	28,710	21,543	2,907,410
Disbursements:							
Personnel	1,827,749	-	-	-	-	-	1,827,749
Operating costs	678,691	1,866	-	-	39,393	20,519	740,469
Program costs	169,441	-	-	10,953	-	-	180,394
Equipment	146,713	-	-	-	-	-	146,713
Offender disbursements:							
Offender legal obligations	-	-	7,135	-	-	-	7,135
Offender reimbursements	-	-	41,464	-	-	-	41,464
Offender payments to CBCF	-	-	38,245	-	-	-	38,245
Offender savings paid at exit	-	-	8,962	-	-	-	8,962
Total disbursements	2,822,594	1,866	95,806	10,953	39,393	20,519	2,991,131
Disbursements from prior FY	1,291	-	-	-	-	-	1,291
Total receipts over/(under) disbursements	(77,731)	3,270	230	(1,122)	(10,683)	1,024	(85,012)
Fund balances (cash basis), July 1, 2013	211,992	(3,274)	1,737	3,209	11,389	1,144	226,197
Fund balances (cash basis), June 30, 2014	\$ 134,261	\$ (4)	\$ 1,967	\$ 2,087	\$ 706	\$ 2,168	\$ 141,185
Unpaid obligations/open purchase orders	\$ -						

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

**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY, OHIO**

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

	State Appropriations and Grants		Offender Funds				Totals
	ODRC 501-501 Funding	Federal	Offender Personal Funds	I&E Fund Phone/Commissary Commissions	Commissary	Vending and Other / Miscellaneous	
Receipts:							
Intergovernmental	\$ 2,785,167	\$ 20,346	\$ -	\$ -	\$ -	\$ -	\$ 2,805,513
Receipts for offenders	-	-	82,938	-	-	-	82,938
Commissions	-	-	-	8,252	2,219	14,445	24,916
Reimbursement	-	-	-	10,438	21,190	757	32,385
Other income/interest	-	-	-	1	1	-	2
Total receipts	2,785,167	20,346	82,938	18,691	23,410	15,202	2,945,754
Disbursements:							
Personnel	1,945,081	-	-	-	-	-	1,945,081
Operating costs	678,334	19,602	-	-	20,432	14,252	732,620
Program costs	140,530	640	-	15,555	-	-	156,725
Equipment	17,676	-	-	-	-	-	17,676
Offender disbursements:							
Offender legal obligations	-	-	5,086	-	-	-	5,086
Offender reimbursements	-	-	33,000	-	-	-	33,000
Offender payments to CBCF	-	-	33,803	-	-	-	33,803
Offender savings paid at exit	-	-	10,731	-	-	-	10,731
Total disbursements	2,781,621	20,242	82,620	15,555	20,432	14,252	2,934,722
Total receipts over disbursements	3,546	104	318	3,136	2,978	950	11,032
Fund balances (cash basis), July 1, 2012	208,446	(3,378)	1,419	73	8,411	194	215,165
Fund balances (cash basis), June 30, 2013	\$ 211,992	\$ (3,274)	\$ 1,737	\$ 3,209	\$ 11,389	\$ 1,144	\$ 226,197
Unpaid obligations/open purchase orders	\$ 1,291						

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

**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY, OHIO**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Western Ohio Regional Treatment and Habilitation Center (the Facility), Allen County, a Community Based Corrections Center, 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 94 offenders. A Facilities Governing Board oversees the Facility's operations. Common pleas judges from the Counties the Facility serves comprise a Judicial Advisory Board. The Judicial Advisory Board appoints two-thirds of the members of the Facility Governing Board and advises the Facility's Governing Board regarding Facility matters. The Board includes at least one common pleas court judge from each county the Facility serves. The Facility serves the following counties:

Allen County	Auglaize County	Hancock County
Hardin County	Mercer County	Paulding County
Putnam County	Shelby County	Van Wert County

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

B. Basis of Accounting

These financial statements follow the 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. The Facility recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

C. Deposits

The Allen 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:

**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY, OHIO**

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

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.

Federal: Reports amounts received from the Federal government, including amounts passed through ODRC.

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.

I&E Fund Phone/Commissary Commissions: 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. The Offender Personal Fund reimburses this Fund for costs chargeable to Offender Funds.

Commissary: Reports amounts charged to non-indigent offenders' personal funds for use of the commissary, per Ohio Revised Code §2301.58.

Vending and Other/Miscellaneous: This fund receives other significant sources of receipts, such as vending machine commissions.

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 the ODRC to transfer amounts between budget categories.

2. Encumbrances

Disbursements from State appropriations and Grants are subject to Allen 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 2 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 4)

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.

**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY, OHIO**

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

2. Budgetary Activity

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

2014 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
\$ 2,848,478	\$ 2,822,594	\$ 25,884

2013 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
\$ 2,785,167	\$ 2,781,621	\$ 3,546

3. Collateral on Deposits

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 (FDIC) coverage of \$250,000 for Offender Funds. Offender Funds did not exceed the FDIC coverage during the audit period.

**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY, OHIO**

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

4. 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.

Refund to ODRC		
	2014	2013
Cash, July 1	\$ 211,992	\$ 208,446
Disbursements against prior year budget	(1,291)	0
Payable to ODRC, July 1	0	0
Sub-total	210,701	208,446
501 Cash receipts	2,746,154	2,785,167
Budgetary basis disbursements	(2,822,594)	(2,781,621)
Amount subject to refund, June 30	134,261	211,992
One-twelfth of 501 award	(237,373)	(232,097)
Refundable to ODRC	\$ 0	\$ 0

5. Retirement Systems

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 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 of participants' gross salaries. The Facility has paid all contributions required through June 30, 2014.

6. Risk Management

Commercial Insurance

The Facility is included in Allen County's commercial insurance policies through County Risk Sharing Authority, Inc. (CORSA). CORSA is a public entity shared risk pool among 41 counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a primary group and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. The coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' error and omissions liability insurance.

**WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER
ALLEN COUNTY, OHIO**

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

Each member, one from each member county, has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligation to make coverage payments to CORSA. The participating counties have no responsibility for the payment of certificates. The county does not have an equity interest or financial responsibility.

The Facility is insured through Alliance Municipal Insurance for the following risks:

- Law Enforcement Liability – occurrence coverage
- Public Officials Liability – claims made coverage
- Employment Practices Liability – claims made coverage
- General Liability for Equipment, Electronic Data, and Property
- Bonding (Employee Dishonesty) through Old Republic Surety Company

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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**

December 29, 2014

Western Ohio Regional Treatment and Habilitation Center
Allen County
293 East Bluelick Road
Lima, Ohio 45802

To the Members of the 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 **Western Ohio Regional Treatment and Habilitation Center**, Allen 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 December 29, 2014, wherein we noted the Facility followed accounting practices the Ohio Department of Rehabilitation and Correction permits rather than accounting principles generally accepted in the United States of America.

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*.

We did note certain matters not requiring inclusion in this report that we reported to the Facility's management in a separate letter dated December 29, 2014.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

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Dave Yost • Auditor of State

WESTERN OHIO REGIONAL TREATMENT AND HABILITATION CENTER

ALLEN 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
MAY 7, 2015**