

**CORRECTIONS COMMISSION OF  
NORTHWEST OHIO  
WILLIAMS COUNTY  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

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**GOVERNMENTAL FUND TYPES:**

General Fund Type:  
Operating Fund

Special Revenue Fund Type:  
Electronic Monitoring Program

**PROPRIETARY FUND TYPE:**

Enterprise Fund Type:  
Inmate Fund

# LublinSussman Group LLP

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## INDEPENDENT AUDITOR'S REPORT

Members of the Commission  
Corrections Commission of Northwest Ohio  
Williams County  
3151 County Road 2425  
Route 1, Box 100-A  
Stryker, OH 43557

To the Members of the Commission:

### Report on the Financial Statements

We have audited the accompanying combined statement of cash and cash equivalents and fund cash balances - all fund types, combined statement of cash receipts, cash disbursements, and changes in fund cash balances, receipts - budget versus actual, and disbursements and encumbrances compared with expenditure authority for each fund of the Corrections Commission of Northwest Ohio, Williams County (the Commission) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

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## **Auditor's Responsibility (Continued)**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1 of the financial statements, the Commission prepared these financial statements using the accounting basis permitted by the financial reporting provisions of the Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, 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 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 Commission as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Corrections Commission of Northwest Ohio, Williams County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provision of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

## **Emphasis of Matter**

As discussed in Note 5 to the financial statements, during 2011 the Corrections Commission of Northwest Ohio adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Our opinion is not modified with respect to that matter.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2013, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and compliance.

*SublinSussman Group LLP*

September 16, 2013  
Toledo, Ohio

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS AND  
FUND CASH BALANCES - ALL FUND TYPES  
FOR THE YEARS ENDED DECEMBER 31

	<u>2012</u>	<u>2011</u>
<b>Pooled Cash and Investments:</b>		
Cash and Cash Equivalents	\$ 2,992,397	\$ 3,268,526
Cash on Hand	200	200
Investments	<u>762,846</u>	<u>1,508,855</u>
Total	<u>\$ 3,755,443</u>	<u>\$ 4,777,581</u>
<b>Cash Balances by Fund Types:</b>		
Governmental Fund Type:		
General Fund:		
Committed	\$ 1,378,808	\$ 1,965,637
Assigned	260,243	260,176
Unassigned	<u>1,296,227</u>	<u>1,968,347</u>
Total General Fund	2,935,278	4,194,160
Special Revenue Fund:		
Restricted	<u>13,839</u>	<u>154</u>
Total Special Revenue Fund	13,839	154
Proprietary Fund Type:		
Enterprise Fund	<u>806,326</u>	<u>583,267</u>
Total	<u>\$ 3,755,443</u>	<u>\$ 4,777,581</u>

See Notes to Financial Statements

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES  
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Types</u>	<u>Totals (Memo. Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	
<b>Cash Receipts:</b>				
Multi-Jurisdictional	\$13,542,304	\$ 0	\$ 0	\$13,542,304
Rental Revenue	22,320	0	0	22,320
Grant Revenue	0	294,235	0	294,235
Interest Income	41,348	0	185	41,533
Commissary Revenue	0	0	105,285	105,285
Telephone Commission	319,693	0	0	319,693
Miscellaneous Income	<u>406,228</u>	<u>0</u>	<u>380,578</u>	<u>786,806</u>
Total Cash Receipts	<u>14,331,893</u>	<u>294,235</u>	<u>486,048</u>	<u>15,112,176</u>
 <b>Cash Disbursements:</b>				
Salary, Wages and Benefits	10,630,460	177,438	86,680	10,894,578
Education, Training, Memberships and Dues	17,447	0	0	17,447
Insurance	208,816	0	3,273	212,089
Travel	3,952	34	92	4,078
Supply Expense	331,478	6,397	81,149	419,024
Contract Services	3,121,022	81,321	39,140	3,241,483
Postage Service	36	0	0	36
Utilities	591,073	6,921	4,997	602,991
Clothing and Linen	85,445	0	19,133	104,578
Repairs & Maintenance	122,036	1,086	464	123,586
Personnel Recruitment	9,009	0	0	9,009
Professional Services	138,095	0	14,700	152,795
Dry Cleaning	64,320	720	360	65,400
Non Capital Equipment	17,373	0	5,083	22,456
Capital Outlay	<u>250,213</u>	<u>6,633</u>	<u>7,918</u>	<u>264,764</u>
Total Cash Disbursements	<u>15,590,775</u>	<u>280,550</u>	<u>262,989</u>	<u>16,134,314</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 (1,258,882)	 13,685	 223,059	 (1,022,138)
Fund Cash Balance - January 1, 2012	<u>4,194,160</u>	<u>154</u>	<u>583,267</u>	<u>4,777,581</u>
Fund Cash Balance - December 31, 2012	<u>\$ 2,935,278</u>	<u>\$ 13,839</u>	<u>\$ 806,326</u>	<u>\$ 3,755,443</u>

See Notes to Financial Statements

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES  
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Types</u>	Totals (Memo. Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	
<b>Cash Receipts:</b>				
Multi-Jurisdictional	\$14,515,012	\$ 0	\$ 0	\$14,515,012
Rental Revenue	5,310	0	0	5,310
Grant Revenue	0	243,826	0	243,826
Interest Income	47,139	0	232	47,371
Commissary Revenue	0	0	95,395	95,395
Telephone Commission	362,450	0	0	362,450
Miscellaneous Income	<u>530,123</u>	<u>0</u>	<u>300,937</u>	<u>831,060</u>
Total Operating Cash Receipts	<u>15,460,034</u>	<u>243,826</u>	<u>396,564</u>	<u>16,100,424</u>
<b>Cash Disbursements:</b>				
Salary, Wages and Benefits	10,362,880	176,580	49,563	10,589,023
Education, Training, Memberships and Dues	19,323	0	0	19,323
Insurance	196,284	0	3,200	199,484
Travel	3,377	38	61	3,476
Supply Expense	300,587	5,766	79,486	385,839
Contract Services	2,961,149	35,099	12,995	3,009,243
Postage Service	3,679	0	58	3,737
Utilities	587,856	5,242	3,263	596,361
Clothing and Linen	80,155	0	17,170	97,325
Repairs & Maintenance	125,444	1,877	1,388	128,709
Personnel Recruitment	4,202	0	0	4,202
Professional Services	169,849	0	12,903	182,752
Dry Cleaning	69,240	360	600	70,200
Non Capital Equipment	60,757	0	510	61,267
Capital Outlay	<u>288,890</u>	<u>33,841</u>	<u>15,750</u>	<u>338,481</u>
Total Operating Cash Disbursements	<u>15,233,672</u>	<u>258,803</u>	<u>196,947</u>	<u>15,689,422</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	226,362	(14,977)	199,617	411,002
Fund Cash Balance - January 1, 2011	<u>3,967,798</u>	<u>15,131</u>	<u>383,650</u>	<u>4,366,579</u>
Fund Cash Balance - December 31, 2011	<u>\$ 4,194,160</u>	<u>\$ 154</u>	<u>\$ 583,267</u>	<u>\$ 4,777,581</u>

See Notes to Financial Statements



CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
COMBINED STATEMENT OF RECEIPTS  
BUDGET VERSUS ACTUAL  
FOR THE YEARS ENDED DECEMBER 31

	2012			2011		
	<u>Budget</u>	<u>Actual</u>	Variance: Favorable <u>(Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	Variance: Favorable <u>(Unfavorable)</u>
<b>Governmental Fund Types:</b>						
General Fund	\$14,947,051	\$14,331,893	\$ (615,158)	\$15,756,157	\$15,460,034	\$ (296,123)

See Notes to Financial Statements

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2012

	Prior Year Carryover <u>Appropriations</u>	2012 <u>Appropriations</u>	<u>Total</u>	Actual 2012 <u>Disbursements</u>	Encumbrances Outstanding at <u>12/30/12</u>	<u>Total</u>	Variance: Favorable <u>(Unfavorable)</u>
<b>Governmental Fund Types:</b>							
General Fund	\$ 109,352	\$ 15,465,247	\$ 15,574,599	\$ 15,590,775	\$ 89,007	\$ 15,679,782	\$ (105,183)

See Notes to Financial Statements

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2011

Governmental Fund Types:	Prior Year Carryover <u>Appropriations</u>	2011 <u>Appropriations</u>	<u>Total</u>	Actual 2011 <u>Disbursements</u>	Encumbrances Outstanding at <u>12/30/11</u>	<u>Total</u>	Variance: Favorable (Unfavorable)
General Fund	\$ 144,318	\$ 15,673,333	\$ 15,817,651	\$ 15,233,672	\$ 109,352	\$ 15,343,024	\$ 474,627

See Notes to Financial Statements

**CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**DESCRIPTION OF THE ENTITY**

The Corrections Commission of Northwest Ohio, Williams County, (the Commission), is a public entity organized September 30, 1987, under § 307.93 of the Ohio Revised Code for the purpose of establishing a multicounty municipal correction center, constructing that center, overseeing its operation and administration and promoting other cooperative programs relating to the center.

The members of the Commission, who were also members of the Committee, are:

Lucas County	Williams County
Defiance County	Henry County
Fulton County	City of Toledo

The receipts in the accompanying financial statements were received from the Members and others for the purpose stated above.

The Commission's management believes these financial statements present all activities for which the Commission is financially accountable.

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits which differs from generally accepted accounting principles. This basis is similar to the cash receipts and disbursements accounting basis. The Commission recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when the liability is incurred.

These statements include adequate disclosures of material matters, as prescribed or permitted by the Auditor of State.

**FUND ACCOUNTING**

The Commission uses fund accounting to segregate cash and investments that are restricted as to use. The Commission classifies its funds into the following types:

**GOVERNMENTAL FUND TYPES**

Government funds are those through which most governmental functions of the Commission are financed. The following are the Commission's governmental fund types:

General Fund

The general fund is the operating fund of the Commission. It is used to account for all financial resources except those required by law or contract to be accounted for in other funds.

Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (CONTINUED)

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**PROPRIETARY FUND TYPE**

Proprietary funds are used to account for the Commission's ongoing activities which are similar to those found in the private sector. The following is the Commission's proprietary fund type:

Enterprise Fund

Enterprise funds account for operations which are financed and operated in a manner similar to private business enterprises and for which the Commission intends to support a material portion of the operating costs with user charges.

**FUNDING**

Annually the Commission estimates costs for the next fiscal year. Such estimates are considered by the Members and are then modified or accepted by the Members. Each Member thereafter remits its share of the Commission's costs to the Commission in the amount and at the times directed by the fiscal agent. If the aggregate of the Member's contributions for the estimated costs for a fiscal year are insufficient to pay the Commission's expenses, then the fiscal agent shall assess each Member its proportional share of the additional cost.

**BUDGETARY PROCESS**

The Commission is not required to follow the budgetary requirements under Ohio Revised Code Chapter 5705. However, the Commission does perform annual budgetary procedures for the General Fund. The Commission did not develop a budget for the Special Revenue Fund or the Proprietary Fund.

**ESTIMATED RESOURCES**

Estimated resources include estimates of cash to be received (budgeted receipts) plus beginning of the year fund cash balances.

**APPROPRIATIONS**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Commission must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**ENCUMBRANCES**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain compliance. Encumbrances plus expenditures may not exceed appropriations at the legal level of control. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (CONTINUED)

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**PROPERTY, PLANT, AND EQUIPMENT**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**UNPAID VACATION AND SICK LEAVE**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Commission.

**DEPOSITS AND INVESTMENTS**

To improve cash management, cash received by the Commission is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Commission records. Interest in the pool is presented as Cash and Cash Equivalents.

During years 2012 and 2011, the Commission's investments included federal agency securities and Carnegie Capital Partners, LLC. Carnegie Capital Partners, LLC is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. Carnegie Capital Partners, LLC is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments are recorded at fair market value.

Investments of the Commission's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Commission are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

**FUND BALANCE**

Fund balance is divided into five classifications based primarily on the extent to which the Commission must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Commission classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (CONTINUED)

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3. Committed

The Committee can commit amounts via formal action (ordinance or resolution). The Commission must adhere to these commitments unless the Committee amends the ordinance or resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Committee or a Commission official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification of the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Commission applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**(2) EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The Commission maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<u>2012</u>	<u>2011</u>
Demand Deposits	\$ <u>2,992,597</u>	\$ <u>3,268,726</u>
Total Deposits	2,992,597	3,268,726
U.S. Treasury Notes	756,721	1,502,735
STAR Ohio	<u>6,125</u>	<u>6,120</u>
Total Investments	<u>762,846</u>	<u>1,508,855</u>
Total Deposits and Investments	\$ <u>3,755,443</u>	\$ <u>4,777,581</u>

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (CONTINUED)

**(2) EQUITY IN POOLED DEPOSITS AND INVESTMENTS (CONTINUED)**

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**Investments:** The Federal Reserve holds the Commission's U.S. Treasury Notes in book-entry form by the name of the Commission's financial institution. The financial institution maintains records identifying the Commission as owner of these securities.

Investments in Carnegie Capital Partners, LLC are not evidenced by securities that exist in physical or book-entry form.

**(3) DEFINED BENEFIT PENSION PLANS**

The Commission's full time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10 percent of their wages. The Commission contributed an amount equal to 14 percent in 2012 and 2011 of participants' gross salaries. Contributions amounted to \$1,005,841 and \$966,896 for the years ended December 31, 2012 and 2011, respectively. The Corrections Commission of Northwest Ohio has paid all contributions required through December 31, 2012 and 2011.

**(4) RISK MANAGEMENT**

A. Commercial Insurance

The Commission maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100 percent co-insured.

Claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from prior years.

B. Health Insurance

During 2011, the Commission became a member of the Buckeye Ohio Risk Management Agency, Inc. (the Pool) for the furnishing and administration of employee healthcare benefits. Previously, the Commission was self insured for these benefits. The self insurance fund amounted to \$1,378,808 at December 31, 2012. A major portion of these funds will be used to pay for each jurisdiction's future obligations to the Commission.



CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (CONTINUED)

**(4) RISK MANAGEMENT (CONTINUED)**

The Pool assumes the risk of loss up to the limits of the Commission's Employee Health Plan policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The Pool covers medical benefits, prescription drug, and dental benefits.

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$ 5,908,926	\$ 3,813,990
Liabilities	\$ 4,634,769	\$ 3,297,768

**(5) CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2011, the Commission adopted Governmental Accounting Standard Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statements No. 54 has no effect on cash fund balances as previously reported.

**(6) SUBSEQUENT EVENT**

The Commission has evaluated subsequent events through September 16, 2013 the date the financial statements were available to be issued. There were no subsequent events that required adjustment to the financial statements or additional disclosure.

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## INDEPENDENT AUDITOR'S 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

Members of the Board  
Corrections Commission of Northwest Ohio  
3151 County Road 2425  
Route 1, Box 100-A  
Stryker, OH 43557

To the Members of the Commission:

We have audited, in accordance with the 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, the financial statements of the governmental activities and the business-type activities of Corrections Commission of Northwest Ohio (the Commission) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 16, 2013, in which we noted the Commission followed the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits.

### Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Corrections Commission of Northwest Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Corrections Commission of Northwest Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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 Commission's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

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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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Corrections Commission of Northwest Ohio'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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Deloitte & Touche LLP*

September 16, 2013  
Toledo, Ohio

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012

There were no prior audit findings.