



Dave Yost • Auditor of State

**CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

Cuyahoga County Community Based Correctional Facility
Cuyahoga County
3540 Croton Ave.
Cleveland, Ohio 44115

To the Members of the Facility Governing Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While the Ohio Department of Rehabilitations and Corrections (ODRC) does not require your Facility 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format ODRC prescribes or permits.

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Dave Yost
Auditor of State

February 8, 2013

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Cuyahoga County Community Based Correctional Facility
Cuyahoga County
3540 Croton Ave.
Cleveland, Ohio 44115

To the Members of the Facility Governing Board:

We have audited the accompanying financial statements of the Cuyahoga County Community Based Correctional Facility, Cuyahoga County, Ohio, (the Facility) as of and for the year ended June 30, 2012 and the period from January 1, 2011 to June 30, 2011. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Facility 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 Facility 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 Facility 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 matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended June 30, 2012 and the period from January 1, 2011 to June 30, 2011 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Facility as of June 30, 2012 and 2011, 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 cash balances and unpaid obligations of the Cuyahoga County Community Based Correctional Facility as of June 30, 2012 and 2011 and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

February 8, 2013

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
 CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
 CUYAHOGA COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 FOR THE YEAR ENDED JUNE 30, 2012

	State Appropriations and Grants			Offender Funds				GRAND TOTALS
	ODRC 501-501	Oriana House Subsidy	PROGRAM TOTALS	Resident Program Fund	Offender Personal Funds	Resident Funds Allowable Costs	Other/ Misc.	
Cash Receipts:								
Intergovernmental	\$3,957,000		\$3,957,000					\$3,957,000
Collections from offenders				\$32,203	\$77,044	\$6,248	\$183,201	\$298,696
Subsidy		\$221,069	221,069					221,069
Total Cash Receipts	3,957,000	221,069	4,178,069	32,203	77,044	6,248	183,201	298,696
Cash Disbursements:								
Personnel	2,887,745	221,069	3,108,814					3,108,814
Operating costs	975,352		975,352					975,352
Program costs	137,194		137,194					137,194
Offender Expenses								
Offender legal obligations					8,809		8,809	8,809
Offender reimbursements				8,507			167,084	175,591
Offender savings paid at exit					72,267			72,267
Total Cash Disbursements	4,000,291	221,069	4,221,360	8,507	81,076		167,084	256,667
Disbursements from prior FY (Including refund to ODRC)	267,788		267,788					267,788
Other Sources (Uses)								
Interest earned	315		315					315
Total Other Sources (Uses)	315		315					315
Total Receipts Over/(Under) Disbursements	(310,764)		(310,764)	23,696	(4,032)	6,248	16,117	42,029
Fund Cash Balances, July 1, 2011	1,095,845		1,095,845	5,151	7,190	2,080	667	15,088
Fund Cash Balances, June 30, 2012	\$785,081		\$785,081	\$28,847	\$3,158	\$8,328	\$16,784	\$57,117
Unpaid Obligations/Open Purchase Orders	\$522,581		\$522,581					

See accompanying notes to the financial statements.

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
 CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
 CUYAHOGA COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>State Appropriations and Grants</u>		<u>Offender Funds</u>					<u>GRAND TOTALS</u>
	<u>ODRC 501-501</u>	<u>PROGRAM TOTALS</u>	<u>Resident Program Fund</u>	<u>Offender Personal Funds</u>	<u>Resident Funds Allowable Costs</u>	<u>Other/ Misc.</u>	<u>OFFENDER TOTALS</u>	
Cash Receipts:								
Intergovernmental	\$3,150,000	\$3,150,000						\$3,150,000
Collections from offenders			\$6,086	\$23,210	\$2,127	\$41,985	\$73,408	73,408
Total Cash Receipts	<u>3,150,000</u>	<u>3,150,000</u>	<u>6,086</u>	<u>23,210</u>	<u>2,127</u>	<u>41,985</u>	<u>73,408</u>	<u>3,223,408</u>
Cash Disbursements:								
Personnel	1,166,471	1,166,471						1,166,471
Operating costs	400,957	400,957						400,957
Program costs	114,624	114,624						114,624
Equipment	372,109	372,109						372,109
Offender Expenses								
Offender legal obligations				840			840	840
Offender reimbursements			935			41,318	42,253	42,253
Offender payments to CBCF					47		47	47
Offender savings paid at exit				15,180			15,180	15,180
Total Cash Disbursements	<u>2,054,161</u>	<u>2,054,161</u>	<u>935</u>	<u>16,020</u>	<u>47</u>	<u>41,318</u>	<u>58,320</u>	<u>2,112,481</u>
Other Sources (Uses)								
Interest earned	6	6						6
Advance in from Agency	200,000	200,000						200,000
Advance (out) to Agency	(200,000)	(200,000)						(200,000)
Total Other Sources (Uses)	<u>6</u>	<u>6</u>						<u>6</u>
Total Receipts Over/(Under) Disbursements	1,095,845	1,095,845	5,151	7,190	2,080	667	15,088	1,110,933
Fund Cash Balances, January 1, 2011	0	0	0	0	0	0	0	0
Fund Cash Balances, June 30, 2011	<u>\$1,095,845</u>	<u>\$1,095,845</u>	<u>\$5,151</u>	<u>\$7,190</u>	<u>\$2,080</u>	<u>\$667</u>	<u>\$15,088</u>	<u>\$1,110,933</u>
Unpaid Obligations/Open Purchase Orders	<u>\$833,345</u>	<u>\$833,345</u>						

See accompanying notes to the financial statements.

**CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Cuyahoga County Community Based Correctional Facility, Cuyahoga County, Ohio, (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 135, and 137 offenders as of June 30, 2012 and 2011, respectively. The Facility's Governing Board administers the Facility. The Board is comprised of eleven members serving three year terms.

The Facility began operations on January 1, 2011. For the years ended June 30, 2012 and 2011, the financial statements present all funds related to the Facility

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Ohio Department of Rehabilitation and Corrections prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary expenditures include amounts disbursed through the following September 30 but chargeable against the preceding year's budget.

These statements include adequate disclosure of material matters the Ohio Department of Rehabilitation and Corrections requires.

C. Cash

At June 30, 2012 and 2011, the carrying value of the Facility's cash fund balances were \$842,198 and \$1,110,933, respectively.

During 2012 and 2011 cash is held in demand deposits, a money market account and petty cash.

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.

Oriana House Subsidy

The Oriana House Subsidy consists of fiscal support provided by the managing nonprofit agency in excess of the costs financed by the 501-501 funding.

**CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

Offender Funds

Resident Program Fund:

Reports receipts from a per diem fee charged to non-indigent offenders for room, board and medical treatment per Ohio Revised Code Section 2301.56 (C).

Offender Personal Funds:

Reports 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 Funds Allowable Costs:

Reports amounts received from telephone commissions generated by calls offenders place to locations outside the Facility. The Facility spends this money for programs and services benefiting the offenders.

Other / Miscellaneous:

Reports amounts received from vending machine commission generated by purchases offenders make in the Facility. The Facility spends this money for programs and services benefiting the offenders. Also includes amounts reimbursed by offenders for cab and bus fees incurred by the facility on their behalf, and other offender related items.

E. Budgetary Process

Appropriations

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

Cuyahoga County Community Based Correction Facility conforms to the purchasing guidelines approved by the Facility's Governing Board.

A summary of fiscal years 2012 and 2011 budgetary activity appears in Note 2.

F. Property, Plant and Equipment

The Facility records acquisitions of property, plant and equipment as capital project disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is reflected as a liability under the basis of accounting the Facility uses for this report.

**CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ended 2012 and 2011 are as follows:

2012 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$ 3,957,000	\$ 3,957,000	\$ -
2011 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$ 3,150,000	\$ 2,530,236	\$ 619,764

3. COLLATERAL ON DEPOSITS AND INVESTMENTS

Grants and State Appropriations

The Facility has Federal Deposit Insurance Corporation (FDIC) coverage for up to \$250,000 of its demand deposit accounts. Excess deposits are uncollateralized.

Offender Funds

Deposits

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

**CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

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, 2012 and 2011. 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.

Refund to ODRC		
	2012	2011
Cash, July 1	\$ 1,095,845	\$ -
Disbursements Against Prior Year Budget	(267,788)	-
Expense Accrual	(1,271)	-
Sub-Total	<u>826,786</u>	<u>-</u>
501 Cash Receipts	3,957,000	3,150,000
Interest	315	6
Budgetary Basis Disbursements	(3,957,000)	(2,530,236)
Increase in Contingent Benefit Liability	5,899	3,843
Increase in Reserved for Comp. Absences	7,878	203,174
Amount Subject to Refund, June 30	<u>840,878</u>	<u>826,787</u>
Reserve for Comp. Absences	(211,051)	(203,174)
Reserve for Contingent Benefit Liability	(9,742)	(3,843)
Payable to ODRC from prior year	(357,270)	-
Up to One-Twelfth of 501 Award Cash Reserve	(262,500)	(262,500)
Refundable to ODRC	<u>\$ 315</u>	<u>\$ 357,270</u>
Calculation of Payable to ODRC		
	2012	2011
Payable, July 1	\$ 357,270	\$ -
Cash Refunded	-	-
Refundable to ODRC, Current fiscal year	315	357,270
Payable, June 30	<u>\$ 357,585</u>	<u>\$ 357,270</u>

5. RESERVE FOR COMPENSATED ABSENCES AND CONTINGENT BENEFIT LIABILITY

During fiscal year 2011, the Facility received permission from the Ohio Department of Rehabilitation and Corrections to accrue employee vacation and sick leave as grant expenditures at the time the leave was earned and to reduce the accrual balance when leave is used. At June 30, 2012 and 2011, \$211,051 and \$203,174, respectively, was included in the 501-501 Fund Cash Balance for this reserve.

During fiscal year 2011 the facility began recognizing the retention plan for key employees on a monthly basis when the benefits are earned; and reduce the liability when the benefits are paid. At June 30, 2012 and 2011, \$9,742 and \$3,843, respectively, was included in the 501-501 Fund Cash Balance for this reserve as a Contingent Benefit Liability.

**CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

6. RETIREMENT SYSTEM

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

7. RISK MANAGEMENT

Commercial Insurance

The Facility has obtained commercial insurance for the following risks:

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

8. CONTINGENT LIABILITIES

The Community Based Correctional Facility is not currently a defendant in any lawsuits.

9. RELATED PARTY TRANSACTION

The Facility paid Oriana House Inc. rentals of \$17,340 and \$0, for fiscal years June 30, 2012 and 2011.

10. ADVANCES IN FROM/OUT TO AGENCY

In order to balance the Facility's 501-501 Fund Cash Balance of June 30, 2011 to the total of the "1/12th" cash reserve plus balance of unpaid obligations, advances in from and out to Agency are recognized. The advances were provided from the managing nonprofit agency to the Facility's checking account on an "as needed" basis, due to delays in receiving quarterly funding from the State or the County. These advances were used to cover payroll, benefits, various expenses and outstanding checks. The amount needed to fund the Facility checking account was determined by daily reconciliation and cash needs analysis on the Facility checking account. When the quarterly funding was received, the advances were repaid.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Cuyahoga County Community Based Correctional Facility
Cuyahoga County
3540 Croton Ave.
Cleveland, Ohio 44115

To the Members of the Facility Governing Board:

We have audited the financial statements of the Cuyahoga County Community Based Correctional Facility, Cuyahoga County, Ohio, (the Facility) as of and for the year ended June 30, 2012 and for the period from January 1, 2011 to June 30, 2011, and have issued our report thereon dated February 8, 2013, wherein we noted the Facility followed accounting practices the Ohio Department of Rehabilitation and Corrections prescribes or permits 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Facility's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Facility's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Facility'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, 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 more than a reasonable possibility that a material misstatement of the Facility's financial statements will not be prevented, or detected and timely corrected.

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 material weaknesses, as defined above.

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, providing an opinion 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 February 8, 2013.

We intend this report solely for the information and use of management, the Members of the Facility Governing Board, and others within the Facility. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

February 8, 2013



Dave Yost • Auditor of State

CUYAHOGA COUNTY COMMUNITY BASED CORRECTIONAL FACILITY

CUYAHOGA 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
FEBRUARY 26, 2013**