



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

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2006 & 2005



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

Lorain/Medina Community Based Correctional Facility
Lorain County
9892 Murray Ridge Road
Elyria, Ohio 44035

To the Governance 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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an 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 the AOS permits.

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Mary Taylor, CPA
Auditor of State

March 31, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lorain/Medina Community Based Correctional Facility
Lorain County
9892 Murray Ridge Road
Elyria, Ohio 44035

To the Governance Board:

We have audited the accompanying financial statements of Lorain/Medina Community Based Correctional Facility Lorain County, Ohio, (the Facility) as of and for the years ended June 30, 2006 and June 30, 2005. 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 that 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Facility to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2006 and June 30, 2005. Instead of the fund statements presented, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately. 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. Since the Facility does not use GAAP to measure financial statement amounts, 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 paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Facility's funds as of June 30, 2006 and June 30, 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and unpaid obligations of the Lorain/Medina Community Based Correctional Facility as of June 30, 2006 and June 30, 2005, and the related cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Facility to include Management's Discussion and Analysis for the years ended June 30, 2006 and June 30, 2005. The Facility has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2007, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

March 31, 2007

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
LORAIN/MEDINA COMMUNITY BASED CORRECTIONAL FACILITY

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2006**

	<u>State Appropriations and Grants</u>		<u>Offender Funds</u>		<u>Totals</u>
	<u>ODRC 501-501</u>	<u>Capital CAP 003</u>	<u>Resident Fund</u>	<u>Family Fund</u>	
Cash Receipts:					
Intergovernmental	\$ 1,712,939	\$ 548,600	\$ -	\$ -	\$ 2,261,539
Collections from offenders	-	-	100,811	19,526	120,337
Commissions	-	-	-	13,216	13,216
Reimbursement	4,275	-	-	3,402	7,677
Other	-	-	-	-	-
Total Cash Receipts	<u>1,717,214</u>	<u>548,600</u>	<u>100,811</u>	<u>36,144</u>	<u>2,402,769</u>
Cash Disbursements:					
Personnel	1,264,476	-	-	20,103	1,284,579
Operating costs	234,431	-	-	28,191	262,622
Program costs	62,468	-	-	5,252	67,720
Equipment	9,242	-	-	789	10,031
Capital project	-	366,777	-	15,651	382,428
Offender Disbursements:					
Offender legal obligations	-	-	21,386	-	21,386
Offender reimbursements	-	-	10,651	579	11,230
Offender payments to CBCF	-	-	13,828	5,320	19,148
Offender savings paid at exit	-	-	50,959	90	51,049
Total Cash Disbursements	<u>1,570,617</u>	<u>366,777</u>	<u>96,824</u>	<u>75,975</u>	<u>2,110,193</u>
Disbursements from prior FY (Including refund to ODRC)	<u>290,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>290,656</u>
Other Financing Sources/Uses:					
Advance in	-	47,000	-	-	47,000
Advance Out	-	(548,600)	-	-	(548,600)
Total Other Financing Sources/Uses	<u>-</u>	<u>(501,600)</u>	<u>-</u>	<u>-</u>	<u>(501,600)</u>
Total Receipts Over/(Under) Disbursements	<u>(144,059)</u>	<u>(319,777)</u>	<u>3,987</u>	<u>(39,831)</u>	<u>(499,680)</u>
Fund Cash Balances, July 1, 2005	<u>450,781</u>	<u>330,271</u>	<u>9,249</u>	<u>53,005</u>	<u>843,306</u>
Fund Cash Balances, June 30, 2006	<u>\$ 306,722</u>	<u>\$ 10,494</u>	<u>\$ 13,236</u>	<u>\$ 13,174</u>	<u>\$ 343,626</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 141,347</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 CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2005**

	<u>State Appropriations and Grants</u>		<u>Offender Funds</u>		<u>Totals</u>
	ODRC 501-501	Capital CAP 003	Resident Fund	Family Fund	
Cash Receipts:					
Intergovernmental	\$ 1,712,939	\$ 42,295	\$ -	\$ -	1,755,234
Collections from offenders	-	-	133,954	1,409	135,363
Commissions	-	-	-	7,051	7,051
Reimbursement	159	-	-	2,470	2,629
Other	45	-	-	-	45
Total Cash Receipts	<u>1,713,143</u>	<u>42,295</u>	<u>133,954</u>	<u>10,930</u>	<u>1,900,322</u>
Cash Disbursements:					
Personnel	1,205,433	-	-	-	1,205,433
Operating costs	238,595	-	-	267	238,862
Program costs	56,935	-	-	284	57,219
Equipment	7,039	-	-	807	7,846
Capital project	-	252,704	-	216	252,920
Offender Disbursements:					
Offender legal obligations	-	-	34,777	-	34,777
Offender reimbursements	-	-	1,411	-	1,411
Offender payments to CBCF	-	-	7,798	1,511	9,309
Offender savings paid at exit	-	-	88,270	-	88,270
Total Cash Disbursements	<u>1,508,002</u>	<u>252,704</u>	<u>132,256</u>	<u>3,085</u>	<u>1,896,047</u>
Disbursements from prior FY (Including refund to ODRC)	<u>329,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>329,648</u>
Other Financing Sources/Uses:					
Advance Out	-	(42,295)	-	-	(42,295)
Total Other Financing Sources/Uses	<u>-</u>	<u>(42,295)</u>	<u>-</u>	<u>-</u>	<u>(42,295)</u>
Total Receipts Over/(Under) Disbursements	<u>(124,507)</u>	<u>(252,704)</u>	<u>1,698</u>	<u>7,845</u>	<u>(367,668)</u>
Fund Cash Balances, July 1, 2004	<u>575,288</u>	<u>582,975</u>	<u>7,551</u>	<u>45,160</u>	<u>1,210,974</u>
Fund Cash Balances, June 30, 2005	<u>\$ 450,781</u>	<u>\$ 330,271</u>	<u>\$ 9,249</u>	<u>\$ 53,005</u>	<u>\$ 843,306</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 156,170</u>				

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Lorain/Medina Community Based Correctional Facility, Lorain 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 with a men's wing housing approximately 56 offenders. In October 2005, a women's wing opened housing approximately 16 offenders. The Judicial Corrections Board administers the Facility. The Board is comprised of common pleas court judges from the counties the Facility serves. The Facility serves Lorain and Medina Counties.

For the year ended June 30, 2006 and 2005, the financial statement presents 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 Auditor of State requires.

C. Cash

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 cash 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: The Capital CAP 003 fund is to report revenue obligations issued by the Ohio Building Authority to pay for all or part of the cost of the renovation or building of CBCF facilities. The CBCF does not repay the Ohio Building Authority these amounts. ODRC repays the bond obligation to OBA.

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Offender Funds

Resident Fund: 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.

Family Fund: This fund receives other Offender Funds, such as telephone commissions and a per diem rate charged to employed offenders. This fund pays for programs and services benefiting offenders and staff employed by the Facility, such as indigent offenders' supplies and entertainment. The Resident Fund reimburses this Fund for costs chargeable to Offender Funds.

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 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 6.)

A summary of 2006 and 2005 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. The financial statements do not report these items as assets.

G. Accumulated Leave

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(CONTINUED)**

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2006 and 2005 follows:

<u>2006 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
<u>Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<u>\$1,712,939</u>	<u>\$1,570,617</u>	<u>\$142,322</u>

<u>2005 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
<u>Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<u>\$1,712,939</u>	<u>\$1,508,001</u>	<u>\$204,938</u>

3. 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 \$100,000 for Offender Funds. There were no uncollateralized amounts at June 30, 2006 and 2005.

4. RETIREMENT SYSTEM

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 2006 and 2005, OPERS members contributed 8.5 percent of their gross salaries to OPERS. The Facility contributed an amount equal to 13.55 percent of participants' gross salaries. The Facility has paid all contributions required through June 30, 2006.

5. RISK MANAGEMENT

The Facility has obtained commercial insurance for the following risks:

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

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

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(CONTINUED)**

6. 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.

Refund to ODRC		
	2006	2005
Cash, July 1	\$142,745	\$139,948
501 Cash Receipts	1,712,939	1,712,939
Disbursements	(1,686,644)	(1,668,704)
Amount Subject to Refund, June 30	\$169,040	184,183
One-Twelfth of 501 Award	(142,745)	(142,745)
Refundable to ODRC	\$26,295	\$41,438

The 2004 Refund to ODRC of \$135,026 was paid in fiscal year 2006. The 2006 and 2005 Refund to ODRC has not yet been paid.

7. SUBSEQUENT EVENTS

The December 11, 2006, the Judicial Corrections Board was dissolved and replaced by the Governance Board.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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 Governance Board:

We have audited the financial statements of Lorain/Medina Community Based Correctional Facility, Lorain County, Ohio, (the Facility) as of and for the years ended June 30, 2006 and June 30, 2005, and have issued our report thereon dated March 31, 2007, 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Facility's management dated March 31, 2007, we reported other matters involving internal control over financial reporting we did not deem a reportable condition.

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*. In a separate letter to the Facility's management dated March 31, 2007, we reported a matter related to noncompliance we deemed immaterial.

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Lorain/Medina Community Based Correctional Facility
Lorain County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management, the Governance Board, and the Ohio Department of Rehabilitation and Corrections. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 31, 2007



Mary Taylor, CPA
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
JUNE 26, 2007**