



Dave Yost • Auditor of State

**NORTHWEST COMMUNITY CORRECTIONS CENTER
WOOD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Northwest Community Corrections Center
Wood County
1740 East Gypsy Lane
Bowling Green, Ohio 43402

To the Members of the Judicial Advisory Board and Facility Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each fund and the related notes of the Northwest Community Corrections Center, Wood County, Ohio (the Facility) as of and for the years ended June 30, 2016 and 2015.

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 opinions.

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis of accounting and GAAP are not reasonably determinable, we presume they are material.

Though the Facility does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis the Ohio Department of Rehabilitation and Corrections permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2016 and 2015, or changes in financial position 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 cash balances, receipts and disbursements for each fund of the Northwest Community Corrections Center, Wood County, Ohio as of and for the years ended June 30, 2016 and 2015 in accordance with the financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017, on our consideration of the Facility's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Facility's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 19, 2017

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Name Of Facility: Northwest Community Corrections Center
Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)
For the Year Ended June 30, 2016

	State Appropriations and Grants		Offender Funds		Totals
	ODRC 501-501	Federal	Resident Program	Offender Personal Funds	
Cash Receipts:					
Intergovernmental	\$1,972,233	\$160,530			\$2,132,763
Receipts for offenders				\$221,431	221,431
Commissions			\$25,544		25,544
Reimbursement	7,662		29,713		37,375
<i>Total Cash Receipts</i>	<u>1,979,895</u>	<u>160,530</u>	<u>55,257</u>	<u>221,431</u>	<u>2,417,113</u>
Cash Disbursements:					
Personnel	1,347,889	118,930			1,466,819
Operating costs	422,860	25,649	8,717		457,226
Program costs	93,120		68,475		161,595
Equipment	28,217		2,434		30,651
Offender Disbursements:					
Offender legal obligations				32,994	32,994
Offender reimbursements				63,892	63,892
Offender payments to CBCF				45,286	45,286
Offender savings paid at exit				78,332	78,332
<i>Total Cash Disbursements</i>	<u>1,892,086</u>	<u>144,579</u>	<u>79,626</u>	<u>220,504</u>	<u>2,336,795</u>
Disbursements from prior FY (Including refund to ODRC)	<u>159,604</u>				<u>159,604</u>
<i>Total Receipts Over/(Under) Disbursements</i>	<u>(71,795)</u>	<u>15,951</u>	<u>(24,369)</u>	<u>927</u>	<u>(79,286)</u>
Fund Cash Balances, July 1, 2015	<u>259,404</u>	<u>57,690</u>	<u>248,742</u>	<u>17,028</u>	<u>582,864</u>
<i>Fund Cash Balances, June 30, 2016</i>	<u>\$187,609</u>	<u>\$73,641</u>	<u>\$224,373</u>	<u>\$17,955</u>	<u>\$503,578</u>
Unpaid Obligations/Open Purchase Orders	<u>\$50,627</u>				

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

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Name of Facility: Northwest Community Corrections Center
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 1 – Reporting Entity

The Northwest Community Corrections Center, Wood County (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 64 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 Facilities 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:

Defiance	Fulton	Henry
Williams	Wood	

For the year ended June 30, 2016, the financial statement presents all funds related to the Facility.

Public Entity Risk Pool

The Facility participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Facility's management believes these financial statements present all activities for which the Entity is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Facility's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Fund Accounting

The Facility uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Facility are presented below:

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

Resident Program Fund ORC 2301.58 established the Resident Program Fund. Upon approval of the facility governing board, the director of the CBCF may establish a Resident Program Fund. The director shall deposit in the fund all revenues received by the facility from commissions on telephone systems, commissary operations, reimbursable costs such as per diem and medical services, and similar services.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Name of Facility: Northwest Community Corrections Center
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Previously, CBCFs maintained separate Offender Per Diem, Commissary, Telephone Commission Funds as well as "Other" Funds for similar services (i.e. vending commissions). These funds have been combined to establish the Resident Program Fund.

Offender Personal Funds This fund reported 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.

Basis of Accounting

These financial statements follow the accounting basis permitted by the Ohio Department of Rehabilitation and Corrections. This basis is similar to the cash receipts and disbursements accounting basis. The Facility recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

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.

Encumbrances

Disbursements from State appropriations and Grants are subject to Wood County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. The budgetary disbursement amounts reported in Note 3 include cash disbursed against the current year budget plus amounts spent within ninety days of June 30 to liquidate year-end commitments. Amounts not liquidated within ninety days of June 30 are subject to refund to ODRC, unless ODRC approves an extension. (See Note 5)

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Wood 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.

Capital Assets

The Facility records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

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.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Name of Facility: Northwest Community Corrections Center
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 3 – Budgetary Activity

Budgetary activity for ODRC 501-501 funding the year ending June 30, 2016 follows:

2016 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$1,972,233	\$1,935,051	\$37,182

Note 4 – Collateral on Deposits and Investments

Grants and State Appropriations The County Treasurer is responsible for collateralizing deposits and investments for grants and State appropriations the County holds as custodian for the Facility.

Offender Funds

Deposits

The Facility has Federal Deposit Insurance Corporation coverage of \$250,000 for Offender Funds. Uncollateralized amounts at June 30, 2016 were \$1,079.

Note 5 – Refund to ODRC

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Facility must refund any excess over this amount to ODRC. The schedule below computes the refund to ODRC for the year 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	
	2016
Cash, July 1	\$259,404
Disbursements Against Prior Year Budget	(157,825)
Payable to ODRC, July 1	(1,779)
Sub-Total	99,800
501 Cash Receipts	1,972,233
Budgetary Basis Disbursements	(1,935,051)
Amount Subject to Refund, June 30	136,982
One-Twelfth of 501 Award	(\$164,353)
Refundable to ODRC	\$136,982
Calculation of Payable to ODRC	
	2016
Payable, July 1	\$1,779
Cash Refunded	(\$1,779)
Refundable to ODRC, June 30	\$1,779
Payable, June 30	\$1,779

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Name of Facility: Northwest Community Corrections Center
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

Note 6 – Risk Management

The Facility is exposed to various risks of property and casualty losses, and injuries to employees.

The Facility insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Facility belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	2016
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool’s membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Facility’s share of these unpaid claims collectible in future years is approximately \$14,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

2016 Contributions to PEP
\$21,078

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Name of Facility: Northwest Community Corrections Center
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016
(Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Name Of Facility: Northwest Community Corrections Center
Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis,
For the Year Ended June 30, 2015

	State Appropriations and Grants		Offender Funds		Totals
	ODRC 501-501	Federal	Resident Program	Offender Personal Funds	
Cash Receipts:					
Intergovernmental	\$1,972,233	\$205,000			\$2,177,233
Receipts for offenders			\$7	\$215,161	215,168
Commissions			20,057		20,057
Reimbursement	5,233		31,854		37,087
<i>Total Cash Receipts</i>	<u>1,977,466</u>	<u>205,000</u>	<u>51,918</u>	<u>215,161</u>	<u>2,449,545</u>
Cash Disbursements:					
Personnel	1,335,924	132,121			1,468,045
Operating costs	433,346	15,189	5,357		453,892
Program costs	63,402		86,076		149,478
Equipment	36,970		2,138		39,108
Offender Disbursements:					
Offender legal obligations				38,385	38,385
Offender reimbursements				40,629	40,629
Offender payments to CBCF				51,330	51,330
Offender savings paid at exit				74,967	74,967
<i>Total Cash Disbursements</i>	<u>1,869,642</u>	<u>147,310</u>	<u>93,571</u>	<u>205,311</u>	<u>2,315,834</u>
Disbursements from prior FY (Including refund to ODRC)	<u>13,142</u>				<u>13,142</u>
<i>Total Receipts Over/(Under) Disbursements</i>	<u>94,682</u>	<u>57,690</u>	<u>(41,653)</u>	<u>9,850</u>	<u>120,569</u>
Fund Cash Balances, July 1, 2014	<u>164,722</u>		<u>290,395</u>	<u>7,178</u>	<u>462,295</u>
<i>Fund Cash Balances, June 30, 2015</i>	<u>\$259,404</u>	<u>\$57,690</u>	<u>\$248,742</u>	<u>\$17,028</u>	<u>\$582,864</u>
Unpaid Obligations/Open Purchase Orders	<u>\$157,825</u>				

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

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Name of Facility: Northwest Community Corrections Center
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 1 – Reporting Entity

The Northwest Community Corrections Center, Wood County (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 64 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 Facilities 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:

Defiance	Fulton	Henry
Williams	Wood	

For the year ended June 30, 2015, the financial statement presents all funds related to the Facility.

Public Entity Risk Pool

The Facility participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The Facility's management believes these financial statements present all activities for which the Entity is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Facility's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Fund Accounting

The Facility uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Facility are presented below:

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

Resident Program Fund ORC 2301.58 established the Resident Program Fund. Upon approval of the facility governing board, the director of the CBCF may establish a Resident Program Fund. The director shall deposit in the fund all revenues received by the facility from commissions on telephone systems, commissary operations, reimbursable costs such as per diem and medical services, and similar services.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Name of Facility: Northwest Community Corrections Center
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Previously, CBCFs maintained separate Offender Per Diem, Commissary, Telephone Commission Funds as well as "Other" Funds for similar services (i.e. vending commissions). These funds have been combined to establish the Resident Program Fund.

Offender Personal Funds This fund reported 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.

Basis of Accounting

These financial statements follow the accounting basis permitted by the Ohio Department of Rehabilitation and Corrections. This basis is similar to the cash receipts and disbursements accounting basis. The Facility recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

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.

Encumbrances

Disbursements from State appropriations and Grants are subject to Wood County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. The budgetary disbursement amounts reported in Note 3 include cash disbursed against the current year budget plus amounts spent within ninety days of June 30 to liquidate year-end commitments. Amounts not liquidated within ninety days of June 30 are subject to refund to ODRC, unless ODRC approves an extension. (See Note 5)

A summary of 2015 budgetary activity appears in Note 3.

Deposits and Investments

The Wood 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.

Capital Assets

The Facility records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

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.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Name of Facility: Northwest Community Corrections Center
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 3 – Budgetary Activity

Budgetary activity for ODRC 501-501 funding the year ending June 30, 2015 follows:

2015 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$1,972,233	\$2,022,234	(\$50,001)

Note 4 – Collateral on Deposits and Investments

Grants and State Appropriations The County Treasurer is responsible for collateralizing deposits and investments for grants and State appropriations the County holds as custodian for the Facility.

Offender Funds

Deposits

The Facility has Federal Deposit Insurance Corporation coverage of \$250,000 for Offender Funds. Uncollateralized amounts at June 30, 2015 were \$25,346.

Note 5 – Refund to ODRC

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Facility must refund any excess over this amount to ODRC. The schedule below computes the refund to ODRC for the year 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	
	2015
Cash, July 1	\$164,722
Disbursements Against Prior Year Budget	(13,142)
Payable to ODRC, July 1	(1,779)
Sub-Total	149,801
501 Cash Receipts	1,972,233
Budgetary Basis Disbursements	(2,022,234)
Amount Subject to Refund, June 30	99,800
One-Twelfth of 501 Award	(\$164,353)
Refundable to ODRC	\$1,779
Calculation of Payable to ODRC	
	2015
Payable, July 1	\$1,779
Cash Refunded	
Refundable to ODRC, June 30	
Payable, June 30	\$1,779

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Name of Facility: Northwest Community Corrections Center
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

Note 6 – Risk Management

The Facility is exposed to various risks of property and casualty losses, and injuries to employees.

The Facility insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Facility belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member facilities pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective facility.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool’s membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Facility’s share of these unpaid claims collectible in future years is approximately \$25,000

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Ohio Department of Rehabilitation and Correction
Community Based Correctional Facility
Name of Facility: Northwest Community Corrections Center
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2015
(Continued)

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$41,481	\$39,325

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2015.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.



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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

Northwest Community Corrections Center
Wood County
1740 East Gypsy Lane
Bowling Green, Ohio 43402

To the Members of the Judicial Advisory Board and Facility Governing Board:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Northwest Community Corrections Center, Wood County, Ohio (the Facility) as of and for the years ended June 30 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated October 19, 2017 wherein we noted the Facility followed financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits.

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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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*.

Entity's Response to Findings

The Facility's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Facility's response and, accordingly, we express no opinion on it.

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.



Dave Yost
Auditor of State

Columbus, Ohio

October 19, 2017

**NORTHWEST COMMUNITY CORRECTIONS CENTER
WOOD COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness – Financial Reporting

Accurate financial reporting is the responsibility of the Business Manager and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The following errors were noted in the accompanying fiscal year 2016 and 2015 financial statements:

- In the 501 State Appropriations Fund, disbursements from prior fiscal year were not reported on the financial report in 2016 which resulted in an understatement of \$159,604 in this line item and an overstatement of ending cash balance and in 2015, expenditures were incorrectly reported as equipment which resulted in an overstatement of \$152,052. These errors were part of the total errors noted in various expenditure line items and fund balance in both fiscal year 2016 and 2015 which resulted in adjustments ranging from \$7 to \$159,604 to the 501 State Appropriations Fund.
- Errors were noted in the revenue and expenditure line items and fund balance in the Offender Personal Funds in both fiscal year 2016 and 2015 which resulted in adjustments ranging from \$27 to \$10,326.

These errors occurred and were noted detected due to a lack of financial monitoring controls. The financial statements were adjusted to correct these errors.

We recommend the Facility adopt policies and procedures, including a final review of the annual report by the Executive Director and Board, to identify and correct errors and omissions. The Executive Director should also review the Facility's statements to ensure all transactions are being properly posted to the financial statements.

Officials' Response

NorthWest Community Corrections Center (NWCCC) takes its fiscal responsibility seriously. Effective and responsible use of taxpayer funds is of the utmost importance to the staff and Facility Governing Board (FGB) of NWCCC. In effort to minimize the future occurrence of errors to facility accounts, NWCCC will institute the following measures:

- Enact policies and procedures to identify and correct errors and omissions to fiscal reports.
- The Executive Director will review monthly reports to ensure transactions are properly posted to financial statements.
- Financial reports will be reviewed at monthly management meetings to ensure management staff has input regarding appropriate expenditure of funds.
- The Business Manager will work with the Wood County Auditor's Office to review, identify, and correct audit errors.
- The Business Manager will provide a report to the Executive Director and FGB detailing the correction and/or resolution of all audit findings.

In regards to Finding Number 2016-001, NWCCC requests the assistance of the Auditor of State in correcting current and past errors, including Finding Number 2014-001. NWCCC further requests any guidance from the Auditor of State in instituting policy or procedure, which can improve the quality of reporting and limit future errors. It was reported by the previous Business Director that all previous audit

findings had been corrected, including Finding Number 2014-001. The current Schedule of Findings was the first notification NWCCC officials received in regards to Finding Number 2014-001 not being completed. NWCCC will strive to correct all audit findings in a timely manner.

**NORTHWEST COMMUNITY CORRECTIONS CENTER
WOOD COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness due to errors in financial reporting.	Not corrected and repeated as Finding 2016-001 in this report.	The Facility did not adopt policies and procedures, including a final review of the annual report by the Executive Director and Board, to identify and correct errors and omissions.

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NORTHWEST COMMUNITY CORRECTIONAL CENTER

WOOD 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
NOVEMBER 9, 2017**