
Community Correctional Center of Butler, Clermont and Warren Counties

Financial Statements

Years Ended June 30, 2016 and 2015

with Independent Auditors' Report



CLARK SCHAEFER HACKETT
CPAs & BUSINESS CONSULTANTS



Dave Yost • Auditor of State

Members of the Facility Governing Board
Community Correctional Center of Butler, Clermont, and Warren Counties
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We have reviewed the *Independent Auditors' Report* of the Community Correctional Center of Butler, Clermont, and Warren Counties, Warren County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2014 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Community Correctional Center of Butler, Clermont, and Warren Counties is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

May 17, 2017

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INDEPENDENT AUDITORS' REPORT

To the Members of the Facility Governing Board
Community Correctional Center of Butler, Clermont, and Warren Counties:

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 Community Correctional Center of Butler, Clermont, and Warren Counties (the "Center") as of and for the years ended June 30, 2016 and 2015.

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 the Ohio Department of Rehabilitation and Corrections permits; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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

As described in Note 1 of the financial statements, the Center 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 requirements.

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

Though the Center 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 presently fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Center 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 Community Correctional Center of Butler, Clermont, and Warren Counties 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2017, on our consideration of the Center's internal control over financial reporting and on 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 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* in considering the Center's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
February 24, 2017

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY

COMMUNITY CORRECTIONAL CENTER OF BUTLER, CLERMONT AND WARREN COUNTIES

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	Industrial / Entertainment	Other/ Misc.	
Cash receipts:					
Intergovernmental	\$ 3,026,233	46,263	-	-	3,072,496
Collections from offenders	-	-	45,821	-	45,821
Commissions	-	-	40,994	253	41,247
Total cash receipts	3,026,233	46,263	86,815	253	3,159,564
Cash disbursements:					
Personnel	1,619,007	26,796	-	-	1,645,803
Operating costs	955,215	19,467	35,659	228	1,010,569
Program costs	266,873	-	30,569	25	297,467
Equipment	124,182	-	-	-	124,182
Total cash disbursements	2,965,277	46,263	66,228	253	3,078,021
Disbursements from prior FY (including refund to ODRC)	1,093	-	-	-	1,093
Total receipts over/(under) disbursements	59,863	-	20,587	-	80,450
Fund cash balances, July 1	162,025	-	12,552	-	174,577
Fund cash balances, June 30	\$ 221,888	-	33,139	-	255,027

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

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY

COMMUNITY CORRECTIONAL CENTER OF BUTLER, CLERMONT AND WARREN COUNTIES

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	Industrial / Entertainment	Other/ Misc.	
Cash receipts:					
Intergovernmental	\$ 2,926,233	49,867	-	-	2,976,100
Collections from offenders	-	-	33,682	447	34,129
Commissions	-	-	28,109	213	28,322
Reimbursement	-	-	-	93	93
Miscellaneous	-	-	113	30	143
Total cash receipts	<u>2,926,233</u>	<u>49,867</u>	<u>61,904</u>	<u>783</u>	<u>3,038,787</u>
Cash disbursements:					
Personnel	1,624,994	26,796	-	-	1,651,790
Operating costs	960,521	14,071	26,349	34	1,000,975
Program costs	291,270	9,000	36,861	749	337,880
Equipment	28,318	-	-	-	28,318
Total cash disbursements	<u>2,905,103</u>	<u>49,867</u>	<u>63,210</u>	<u>783</u>	<u>3,018,963</u>
Total receipts over/(under) disbursements	21,130	-	(1,306)	-	19,824
Fund cash balances, July 1	<u>140,895</u>	<u>-</u>	<u>13,858</u>	<u>-</u>	<u>154,753</u>
Fund cash balances, June 30	<u>\$ 162,025</u>	<u>-</u>	<u>12,552</u>	<u>-</u>	<u>174,577</u>

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

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY**

**COMMUNITY CORRECTIONAL CENTER OF BUTLER, CLERMONT, AND WARREN COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Community Correctional Center of Butler, Clermont, and Warren Counties, (the Center), provides an alternative to prison incarceration for felony offenders. The Center is the last step in the continuum of increasing punishment before prison incarceration. The Center is a minimum security operation housing approximately 110 offenders. A Facility Governing Board oversees the Center's operations. The Judicial Advisory Board appoints two-thirds of the members of the Facility Governing Board and advises the Facilities Governing Board regarding Center matters. The Center serves Butler, Clermont and Warren Counties.

For the years ended June 30, 2016 and 2015, the financial statement presents all funds related to the Center.

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

B. Basis of Accounting

These financial statements follow the accounting basis permitted by the Ohio Department of Rehabilitation and Corrections (regulatory cash basis). This basis is similar to the cash receipts and disbursements accounting basis. The Center recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

The Center is a cost center on the books of Talbert House. In compliance with the reporting requirements of the Ohio Department of Rehabilitation and Corrections, any capital equipment that is purchased is expensed during the period of acquisition less amounts of the refund payable due to ODRC. See Note 4.

C. Cash

Talbert House is the custodian for the Center's cash. Talbert House segregates cash related to the Industrial and Entertainment (I&E)/Telephone Commission fund in a separate bank account.

Talbert House commingles the Center's State Appropriations and Grants with cash from non-community based correction facility activities. Ending Fund Cash Balance on the statements represents a net receivable from Talbert House.

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

The Center uses fund accounting to segregate amounts that are restricted as to use. The Center 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 Center to support general operating costs.

Federal: Reports amounts received from the Federal government, including amounts passed through ODRC. The Center received ABLE, School Lunch, and Title I grants during the fiscal years ended June 30, 2016 and 2015. ABLE and Title I grants are used for teacher salaries, equipment and supplies. These are both cost reimbursement grants.

<u>Grant Name</u>	<u>Pass-Through Entity</u>	<u>Description of Grant</u>
ABLE	ODRC	Funding for adult basic literacy and education program
Title I	ODRC	Federal funding to help academically at risk students
National School Lunch	ODE	Funding to provide nutritious meals for children

Offender Funds

Industrial and Entertainment Fund: This fund receives other Offender Funds, such as telephone commissions and a reception fee of \$125 from each offender. This fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment.

E. Budgetary Process

1. Appropriations

The Center 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 Center 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

The Center had no encumbrances outstanding on June 30, 2016 or June 30, 2015. A summary of 2016 and 2015 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

The Center records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these acquisitions as assets.

G. Accumulated Leave

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

2. Budgetary Activity

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2016 and 2015 follows:

2016 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$ 3,073,233	2,965,277	107,956

2015 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$ 2,926,233	2,905,103	21,130

The 2016 Budget amount represents \$3,026,233 received in 2016 and \$47,000 received after year end.

3. Collateral on Deposits and Investments

Grants and State Appropriations

Talbert House, as custodian of the Center's cash, is responsible for collateralizing deposits and investments for grants and State appropriations. Talbert House maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. Talbert House has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

4. Refund to ODRC

The agreement between Butler County and ODRC permits the Center to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Center 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 Center refunds amounts computed below in the fiscal year following the computation below.

Refund to ODRC		
	2016	2015
Beginning Balance, July 1	\$ 162,025	\$ 140,895
Disbursements Against Prior Year Budget	-	-
Payable to ODRC, July 1	-	-
Sub-Total	162,025	140,895
501 Receipts	3,026,233	2,926,233
Budgetary Basis Disbursements	(2,965,277)	(2,905,103)
Amount Subject to Refund, June 30	222,981	162,025
One-Twelfth of 501 Award	(256,103)	(243,853)
Refundable to ODRC	\$ (33,122)	\$ (81,828)

Calculation of Payable to ODRC		
	2016	2015
Payable, July 1	\$ 84,395	\$ 84,395
Cash Refunded	(1,093)	-
Refundable to ODRC, June 30	-	-
Payable, June 30	\$ 83,302	\$ 84,395

5. Retirement Systems

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

The Center's employees may contribute pre-tax dollars to a 403(b) plan at time of hire. Talbert House contributes to an employee's plan after 24 months of employment with increasing contribution rates based on length of employment. The Center contributions for the fiscal years 2016 and 2015 are \$32,193 and \$38,630, respectively. The Center has paid all contributions required through June 30, 2016.

6. Risk Management

Commercial Insurance

The Center has obtained commercial insurance from allocated cost of Talbert House (As disclosed in Note 7) for the following risks: Comprehensive property and general liability, Vehicles, Professional liability, Director and officer liability, Fiduciary liability, Excess liability, Directors and Officers, Sexual Molestation/Abuse Coverage, Accident Policy, and Computer Coverage Policy.

7. Related Party Transactions

Talbert House allocates central service costs to the Center. The allocation methods are systemic across the agency and charged monthly in the financial statements. Allocation methods and amounts for the period are:

Expense Allocated	Allocation Method	FY16 Allocation	FY15 Allocation
Administration, Finance, Public Relations	Total Cost Center Expense	\$ 246,033	\$ 257,915
Human Resources Training, Quality & Clinical Services	Full-time Equivalents	94,327	122,464
Management Information Systems	Number of Logins	77,729	71,162
Fringe Benefits	Total Paid Hours, Total Payroll Dollars	226,612	246,615
FICA, Workers Compensation, Unemployment Taxes	Total Payroll Dollars	111,116	105,062
Drug Testing Costs	Number of Monthly Tests	8,484	9,756
Primary Care	Number of Care Visits	44,336	60,473
Professional Liability Insurance, Auto Insurance	Budgeted Wages	18,274	18,413
General Liability Insurance Property Insurance	Total Property Values (except for Information System Insurance which is based on number of PC users)	20,508	22,058

**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**

INDEPENDENT AUDITOR'S REPORT

To the Members of the Facility Governing Board
Community Correctional Center of Butler, Clermont, and Warren Counties:

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 Community Correctional Center of Butler, Clermont, and Warren Counties (the "Center") as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated February 24, 2017, wherein we noted the Center follows accounting practices the Ohio Department of Rehabilitation and Corrections prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 entity'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.

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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
February 24, 2017

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COMMUNITY CORRECTIONAL CENTER OF BUTLER, CLERMONT AND WARREN COUNTIES

WARREN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 30, 2017**