



Dave Yost • Auditor of State

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

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Dave Yost • Auditor of State

Stark Regional Community Correction Center
Stark County
4433 Lesh Street, NE
Louisville, Ohio 44641

To the Members of the Judicial Advisory Board and 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 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 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 1, 2013

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Stark Regional Community Correction Center
Stark County
4433 Lest Street, NE
Louisville, Ohio 44641

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

We have audited the accompanying financial statements of Stark Regional Community Correction Center, Stark County, (the Center) as of and for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the Center'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 Center 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 Center 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 Ohio Department of Rehabilitation and Corrections permits. 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 years ended June 30, 2012 and 2011 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Center as of June 30, 2012 and 2011 or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and unpaid obligations of Stark Regional Community Correction Center, Stark County, as of June 30, 2012 and 2011, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2013, on our consideration of the Center'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 "D" and "Y".

Dave Yost
Auditor of State

February 1, 2013

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
STARK REGIONAL COMMUNITY CORRECTION CENTER**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2012**

	<u>State Appropriations and Grants</u>				<u>Offender Fund</u>	Totals
	ODRC 501-501	Federal	Insurance Settlement	Capital CAP 003	Resident Program	
Cash Receipts:						
Intergovernmental	3,456,451	65,360	-	-	-	3,521,811
Collections from offenders	-	-	-	-	24,820	24,820
Other	7,245	-	-	-	-	7,245
Insurance Income	-	-	100	-	-	100
Interest/Recycling Income	-	-	-	-	64	64
Total Cash Receipts	<u>3,463,696</u>	<u>65,360</u>	<u>100</u>	<u>-</u>	<u>24,884</u>	<u>3,554,040</u>
Cash Disbursements:						
Personnel	2,373,659	41,551	-	-	-	2,415,210
Operating costs	292,018	21,277	-	-	-	313,295
Program costs	595,147	2,236	177,203	-	-	774,586
Equipment	72,415	10,791	-	-	-	83,206
Offender Disbursements:	-	-	-	-	19,524	19,524
Total Cash Disbursements	<u>3,333,239</u>	<u>75,855</u>	<u>177,203</u>	<u>-</u>	<u>19,524</u>	<u>3,605,821</u>
Disbursements from prior FY	96,480	-	-	-	-	96,480
Total Receipts Over/(Under) Disbursements	<u>33,977</u>	<u>(10,494)</u>	<u>(177,103)</u>	<u>-</u>	<u>5,360</u>	<u>(148,260)</u>
Fund Cash Balances, July 1, 2011	347,254	10,494	177,103	3,613	16,788	555,252
Fund Cash Balances, June 30, 2012	<u>\$ 381,231</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ 3,613</u>	<u>\$ 22,148</u>	<u>\$ 406,992</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 122,651</u>					

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

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
STARK REGIONAL COMMUNITY CORRECTION CENTER**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2011**

	<u>State Appropriations and Grants</u>				<u>Offender Fund</u>	<u>Totals</u>
	<u>ODRC 501-501</u>	<u>Federal</u>	<u>Insurance Claim Settlements</u>	<u>Capital CAP 003</u>	<u>Resident Program</u>	
Cash Receipts:						
Intergovernmental	\$ 3,492,251	\$ 64,831	\$ -	\$ 2,925	\$ -	3,560,007
Collections from offenders	-	-	-	-	44,408	44,408
Other	2,095	-	-	-	-	2,095
Interest/Recycling Income	-	-	-	-	676	676
Insurance Income	-	-	177,103	-	-	177,103
Total Cash Receipts	<u>3,494,346</u>	<u>64,831</u>	<u>177,103</u>	<u>2,925</u>	<u>45,084</u>	<u>3,784,289</u>
Cash Disbursements:						
Personnel	2,544,794	36,085	-	-	-	2,580,879
Operating costs	413,659	18,476	-	-	-	432,135
Program costs	406,106	124	-	-	-	406,230
Equipment	15,382	10,146	-	2,925	-	28,453
Offender Disbursements:	-	-	-	-	35,573	-
Total Cash Disbursements	<u>3,379,941</u>	<u>64,831</u>	<u>-</u>	<u>2,925</u>	<u>35,573</u>	<u>3,483,270</u>
Disbursements from prior FY	<u>116,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,253</u>
Total Receipts Over/(Under) Disbursements	<u>(1,848)</u>	<u>-</u>	<u>177,103</u>	<u>-</u>	<u>9,511</u>	<u>184,766</u>
Fund Cash Balances, July 1, 2010	<u>349,102</u>	<u>10,494</u>	<u>-</u>	<u>3,613</u>	<u>7,277</u>	<u>370,486</u>
Fund Cash Balances, June 30, 2011	<u>\$ 347,254</u>	<u>\$ 10,494</u>	<u>\$ 177,103</u>	<u>\$ 3,613</u>	<u>\$ 16,788</u>	<u>\$ 555,252</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 95,812</u>					

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

**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Stark Regional Community Correction Center, (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 127 offenders. A Facilities Governing Board oversees the Center's operations. Common pleas judges from the Counties the Center 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:

Holmes County	Stark County
Tuscarawas County	Wayne County

For the years ended June 30, 2012 and 2011, the financial statement presents all funds related to the Center.

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 Ohio Department of Rehabilitation and Corrections requires.

C. Deposits

The Stark County Treasurer is the custodian of the Center'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 Center holds offenders' cash in demand deposit accounts.

The County credits earnings on Center investments to the County's General Fund.

D. Fund Accounting

The Facility uses fund accounting to segregate amounts that are restricted as to use. The Facility has the following funds:

**STARK REGIONAL COMMUNITY CORRECTIONS CENTER
STARK COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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. The Center received Title I, ABLE and National School Lunch funding to aid in the rehabilitation of offenders.

Capital CAP 003: Reports amounts received from the ODRC to finance all or part of the cost of the renovating or building facilities.

Offender Funds

Resident Offender Funds: Reports amounts received from the following sources: amounts collected from offenders for repayment of costs paid by the Center; vending machine commissions generated by items purchased by offenders from the vending machines; telephone commissions generated by calls offenders place to locations outside the Center; and various other donations. This fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment.

Insurance Claim Settlement Fund

Insurance Claim Settlement Fund: Reports amounts received from insurance companies for claim settlements for damages on the property.

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 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 Stark County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Center 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-

**STARK REGIONAL COMMUNITY CORRECTIONS CENTER
STARK COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

end commitments. Amounts not liquidated within ninety days of June 30 are subject to refund to ODRC, unless ODRC approves an extension. (See Note 4.)

The Unpaid Obligations/Open Purchase Orders amount as of June 30, 2012 includes purchase orders opened for the FY12 grant in the amount of \$143,887.

A summary of 2012 and 2011 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. The financial statements do not include a liability for unpaid leave.

2. Budgetary Activity

Budgetary activity for ODRC 501-501 funding for the years ending 2012 and 2011 follows:

2012 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,456,451	\$3,455,890	\$561

2011 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,492,251	\$3,475,753	\$16,498

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.

**STARK REGIONAL COMMUNITY CORRECTIONS CENTER
STARK COUNTY**

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

3. Collateral on Deposits and Investments (Continued)

Offender Funds

The Center has Federal Deposit Insurance Corporation coverage of \$250,000 for Offender Funds.

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. 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		
	2012	2011
Cash, July 1	\$347,254	\$349,102
Disbursements Against Prior Year Budget Payable to ODRC, July 1	(\$96,480)	(\$116,253)
Sub-Total	\$250,774	\$232,849
501 Cash Receipts	3,463,696	3,494,346
Budgetary Basis Disbursements	(3,455,890)	(3,475,753)
Amount Subject to Refund, June 30	\$258,580	251,442
One-Twelfth of 501 Award	(288,037)	(291,021)
Refundable to ODRC	(\$29,457)	(\$39,579)

5. Retirement Systems

The Center's employees belong to the Ohio Public Employees Retirement System (OPERS). The Ohio Revised Code prescribes plan benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10 percent of their gross salaries and the Center contributed an amount equaling 14 percent, respectively, of participants' gross salaries. The Center has paid all contributions required through June 30, 2012.

6. Risk Management

Commercial Insurance

The Center has obtained commercial insurance for the following risks:

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

**STARK REGIONAL COMMUNITY CORRECTIONS CENTER
STARK COUNTY**

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

7. Contingent Liabilities

The Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center as of June 30, 2012.

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

Stark Regional Community Correction Center
Stark County
4433 Lest Street, NE
Louisville, Ohio 44641

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

We have audited the financial statements of Stark Regional Community Correction Center, Stark County, (the Center) as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated February 1, 2013 wherein we noted the Center followed accounting practices the Ohio Department of Rehabilitations and Corrections prescribes or permits rather than accounting principles generally accepting 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 Center'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 Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center'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 Center'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.

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Compliance and Other Matters

As part of reasonably assuring whether the Center'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 intend this report solely for the information and use of management, the Facility Governing Board and the Judicial Advisory Board, and others within the Center. We intend it for no one other than these specified parties.

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Dave Yost
Auditor of State

February 1, 2013



Dave Yost • Auditor of State

STARK REGIONAL COMMUNITY CORRECTION CENTER

STARK 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**