



**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2009-2010**

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Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

February 3, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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

DAVE YOST
Auditor of State

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**STARK REGIONAL COMMUNITY CORRECTION CENTER
STARK COUNTY**

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Mary Taylor, CPA

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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 10, 2010

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Mary Taylor, CPA

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, 2010 and 2009. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the 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 Center uses. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2010 and 2009 do 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, 2010 and 2009 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances and unpaid obligations of Stark Regional Community Correction Center, Stark County, as of June 30, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Center 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 December 10, 2010, 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 10, 2010

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 YEAR ENDED JUNE 30, 2010**

	<u>State Appropriations and Grants</u>			<u>Offender Funds</u>	
	ODRC 501-501	Federal	Capital CAP 003	Resident Program	Totals
Cash Receipts:					
Intergovernmental	\$ 3,568,951	\$ 64,165	\$ 40,075	\$ -	\$ 3,673,191
Receipts for offenders	-	-	-	446	446
Collections from offenders	-	-	-	516	516
Commissions	-	-	-	21,757	21,757
Reimbursement	24,607	-	-	-	24,607
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Total Cash Receipts	3,593,558	64,165	40,075	22,719	3,720,517
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Cash Disbursements:					
Personnel	2,566,248	37,127	-	-	2,603,375
Operating costs	415,706	17,409	40,075	-	473,190
Program costs	385,490	2,545	-	-	388,035
Equipment	86,460	7,284	-	-	93,744
Offender Disbursements	-	-	-	28,512	28,512
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Total Cash Disbursements	3,453,904	64,365	40,075	28,512	3,586,856
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Disbursements from prior FY	77,166	-	-	-	77,166
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Total Receipts Over/(Under) Disbursements	62,488	(200)	-	(5,793)	56,495
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Fund Cash Balances, July 1, 2009	286,614	10,694	3,613	13,070	313,991
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Fund Cash Balances, June 30, 2010	\$ 349,102	\$ 10,494	\$ 3,613	\$ 7,277	\$ 370,486
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Unpaid Obligations/Open Purchase Orders	\$ 122,083	\$ 24,044			\$ 146,127
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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 YEAR ENDED JUNE 30, 2009**

	<u>State Appropriations and Grants</u>			<u>Offender Funds</u>	
	ODRC 501-501	Federal	Capital CAP 003	Resident Program	Totals
Cash Receipts:					
Intergovernmental	\$ 3,296,951	\$ 67,566	\$ -	\$ -	\$ 3,364,517
Receipts for offenders	-	-	-	244	244
Collections from offenders	-	-	-	442	442
Commissions	-	-	-	16,247	16,247
Reimbursement	57,504	-	-	-	57,504
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Total Cash Receipts	3,354,455	67,566	-	16,933	3,438,954
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Cash Disbursements:					
Personnel	2,552,144	83,503	-	-	2,635,647
Operating costs	328,037	21,650	-	-	349,687
Program costs	334,685	484	-	-	335,169
Equipment	32,692	7,375	-	-	40,067
Offender Disbursements	-	-	-	28,090	28,090
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Total Cash Disbursements	3,247,558	113,012	-	28,090	3,388,660
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Disbursements from prior FY	116,696	-	-	-	116,696
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Total Receipts Over/(Under) Disbursements	(9,799)	(45,446)	-	(11,157)	(66,402)
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Fund Cash Balances, July 1, 2008	296,413	56,140	3,613	24,227	380,393
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, June 30, 2009	<u>\$ 286,614</u>	<u>\$ 10,694</u>	<u>\$ 3,613</u>	<u>\$ 13,070</u>	<u>\$ 313,991</u>
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Unpaid Obligations/Open Purchase Orders	<u>\$ 83,725</u>				

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

**STARK REGIONAL COMMUNITY CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Stark County Regional Community Correction Center, Stark County, (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 124 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, 2010 and 2009, 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 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.

C. Deposits

The Stark County Treasurer is the custodian of the Center's grant funds and State appropriations. The County holds these Center 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 Center uses fund accounting to segregate amounts that are restricted as to use. The Center has the following funds:

**STARK COUNTY COMMUNITY CORRECTIONS CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(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 Center 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 Projects: Reports amounts received from the ODRC to finance all or part of the cost of the renovating or building of facilities.

Offender Fund

Resident Fund: 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.

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. The Center 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-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.)

**STARK COUNTY COMMUNITY CORRECTIONS CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

The Unpaid Obligations/Open Purchase Orders amounts reported in the financial statements include amounts approved by the County Auditor (i.e., certified and encumbered) as of June 30 and personnel costs accrued as of June 30.

The Unpaid Obligations/Open Purchase Orders amount as of June 30, 2010 includes purchase orders opened for the FY10 grant in the amount of \$146,127.

A summary of 2010 and 2009 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 June 30, 2010 and 2009 follows:

2010 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,568,951	\$3,453,904	\$115,047

2009 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,296,951	\$3,247,558	\$49,393

**STARK COUNTY COMMUNITY CORRECTIONS CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

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 Center.

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 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		
	2010	2009
Cash, July 1	\$286,614	\$296,413
Disbursements Against Prior Year Budget	(\$77,166)	(\$116,696)
Payable to ODRC, July 1	0	(\$70,000)
Sub-Total	\$209,448	\$109,717
501 Cash Receipts	3,568,951	3,296,951
Budgetary Basis Disbursements	(3,575,987)	(3,331,283)
Amount Subject to Refund, June 30	\$202,412	75,385
One-Twelfth of 501 Award	(297,413)	(274,746)
Refundable to ODRC	(\$95,001)	(\$199,361)

Calculation of Payable to ODRC		
	2010	2009
Payable, July 1	0	70,000
Cash Refunded	0	(70,000)
Refundable to ODRC, June 30	0	0
Payable, June 30	0	0

The Stark Regional Community Correction Center and ODRC approved a payment plan for the amount payable July 1, 2005 totaling \$101,915. In accordance with this payment plan, the Center's fiscal year 2008 grant was reduced by \$31,915 and the fiscal year 2009 grant was reduced by \$70,000. The reduction of \$70,000 is shown above as Cash Refunded during fiscal year 2009.

**STARK COUNTY COMMUNITY CORRECTIONS CENTER
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)**

5. Retirement Systems

The Center'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 2010 and 2009, OPERS members contributed 10 percent of their gross salaries and the Center contributed an amount equaling 14 percent of participants' gross salaries. The Center has paid all contributions required through June 30, 2010.

6. Risk Management

Commercial Insurance

The Center has obtained commercial insurance for the following risks:

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

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, 2010.

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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*

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:

We have audited the financial statements of the Stark Regional Community Corrections Center, Stark County, Ohio, (the Center) as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated December 10, 2010, wherein we noted the Center followed accounting practices the Ohio Department of Rehabilitations 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 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.

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 did note a certain matter not requiring inclusion in this report that we reported to the Center's management in a separate letter dated December 10, 2010.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 10, 2010



Mary Taylor, CPA
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 3, 2011**