

***CROSSWAEH COMMUNITY BASED CORRECTIONAL
FACILITY***

SENECA COUNTY, OHIO

AUDIT REPORT

For the Years Ended June 30, 2014 & 2013



Dave Yost • Auditor of State

Governing Board
CROSSWAEH Community Based Correctional Facility
3055 South State Route 100
Tiffin, Ohio 44883

We have reviewed the *Independent Auditors' Report* of the CROSSWAEH Community Based Correctional Facility, Seneca County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2012 through June 30, 2014. 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 CROSSWAEH Community Based Correctional Facility is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 2, 2015

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**CROSSWAEH COMMUNITY BASED CORRECTIONAL FACILITY
SENECA COUNTY**

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Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

CROSSWAEH Community Based Correctional Facility
Seneca County
3055 South State Route 100
Tiffin, Ohio 44883

To the Members of the Facility Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the CROSSWAEH Community Based Correctional Facility, Seneca County (the Facility) as of and for the years ended June 30, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting practices the Ohio Department of Rehabilitation and Correction prescribes or 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 1 of the financial statements, the Facility prepared these financial statements using the accounting basis permitted by the Ohio Department of Rehabilitation and Correction, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

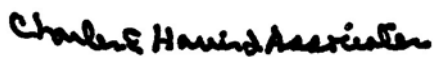
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Facility as of June 30, 2014 and 2013, 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 combined cash balances and unpaid obligations of the CROSSWAEH Community Based Correctional Facility, Seneca County as of June 30, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the accounting basis described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, 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.



Charles E. Harris & Associates, Inc.
November 26, 2014

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
CROSSWAH COMMUNITY BASED CORRECTIONAL FACILITY
SENECA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2014**

	State Appropriations and Grants			Offender Fund					GRAND TOTALS
	ODRC 501-501	Oriana House Subsidy	PROGRAM TOTALS	Resident Program Fund	Offender Personal Funds	Resident Funds Allowable Costs	Other/ Misc.	OFFENDER TOTALS	
Cash Receipts:									
Intergovernmental	\$ 2,553,562	-	\$ 2,553,562	-	-	-	-	-	\$ 2,553,562
Collections from offenders	-	-	-	\$ 10,515	\$ 51,160	\$ -	\$ 154,584	\$ 216,259	216,259
Subsidy	-	\$ 36,839	36,839	-	-	-	-	-	36,839
Total Cash Receipts	2,553,562	36,839	2,590,401	10,515	51,160	-	154,584	216,259	2,806,660
Cash Disbursements:									
Personnel	1,812,360	36,839	1,849,199	-	-	-	-	-	1,849,199
Operating costs	628,333	-	628,333	-	-	-	-	-	628,333
Program costs	68,018	-	68,018	-	-	-	-	-	68,018
Equipment	30,787	-	30,787	-	-	-	-	-	30,787
Offender Disbursements:									
Offender legal expenses	-	-	-	-	8,436	-	-	8,436	8,436
Offender reimbursements	-	-	-	6,904	-	-	164,362	171,266	171,266
Offender savings paid at exit	-	-	-	-	39,933	-	-	39,933	39,933
Total Cash Disbursements	2,539,498	36,839	2,576,337	6,904	48,369	-	164,362	219,635	2,795,972
Disbursements from prior FY (including refund to ODRC)	134,109	(28,078)	106,031	-	-	-	-	-	106,031
Other Sources (Uses)									
Interest earned	(74)	-	(74)	-	-	-	-	-	(74)
Total Other Sources (Uses)	(74)	-	(74)	-	-	-	-	-	(74)
Total Receipts Over/(Under) Disbursements	(120,119)	28,078	(92,041)	3,611	2,791	-	(9,778)	(3,376)	(95,417)
Fund Cash Balances, July 1, 2013	310,438	22,036	332,474	(29)	5,124	1,139	21,913	28,147	360,621
Fund Cash Balances, June 30, 2014	\$ 190,319	\$ 50,114	\$ 240,433	\$ 3,582	\$ 7,915	\$ 1,139	\$ 12,135	\$ 24,771	\$ 265,204
Unpaid Obligations/Open Purchase Orders	\$ 275,284								

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

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
CROSSWAEH COMMUNITY BASED CORRECTIONAL FACILITY
SENECA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2013**

	State Appropriations and Grants			Offender Fund					GRAND TOTALS
	ODRC 501-501	Oriana House Subsidy	PROGRAM TOTALS	Resident Program Fund	Offender Personal Funds	Resident Funds Allowable Costs	Other/ Misc.	OFFENDER TOTALS	
Cash Receipts:									
Intergovernmental	\$ 2,526,368	-	\$ 2,526,368	-	-	-	-	-	\$ 2,526,368
Collections from offenders	-	-	-	\$ 6,272	\$ 50,473	\$ 69	\$ 121,680	\$ 178,494	178,494
Subsidy	-	\$ 10,841	10,841	-	-	-	-	-	10,841
Total Cash Receipts	2,526,368	10,841	2,537,209	6,272	50,473	69	121,680	178,494	2,715,703
Cash Disbursements:									
Personnel	1,738,799	10,841	1,749,640	-	-	-	-	-	1,749,640
Operating costs	562,534	-	562,534	-	-	-	-	-	562,534
Program costs	69,675	-	69,675	-	-	-	-	-	69,675
Equipment	48,140	-	48,140	-	-	-	-	-	48,140
Offender Disbursements:									
Offender legal expenses	-	-	-	-	7,261	-	-	7,261	7,261
Offender reimbursements	-	-	-	5,548	-	69	113,146	118,763	118,763
Offender savings paid at exit	-	-	-	-	42,863	-	-	42,863	42,863
Total Cash Disbursements	2,419,148	10,841	2,429,989	5,548	50,124	69	113,146	168,887	2,598,876
Disbursements from prior FY (including refund to ODRC)	90,670	(22,036)	68,634	-	-	-	-	-	68,634
Other Sources (Uses)									
Interest earned	13	-	13	-	-	-	-	-	13
Total Other Sources (Uses)	13	-	13	-	-	-	-	-	13
Total Receipts Over/(Under) Disbursements	16,563	22,036	38,599	724	349	-	8,534	9,607	48,206
Fund Cash Balances, July 1, 2012	293,875	-	293,875	(753)	4,775	1,139	13,379	18,540	312,415
Fund Cash Balances, June 30, 2013	\$ 310,438	\$ 22,036	\$ 332,474	\$ (29)	\$ 5,124	\$ 1,139	\$ 21,913	\$ 28,147	\$ 360,621
Unpaid Obligations/Open Purchase Orders	\$ 348,120								

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

**CROSSWAEH COMMUNITY BASED CORRECTIONAL FACILITY
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The CROSSWAEH Community Based Correctional Facility, Seneca County, Ohio, (the "Facility") provides an alternative to prison incarceration for felony offenders. The Facility is the last step in the continuum of increasing punishment before prison incarceration. The Facility is a minimum security operation housing approximately 93 and 93 offenders as of June 30, 2014 and 2013, respectively. The Facility Governing Board administers the Facility. The Board includes eight members serving three year terms. The Facility serves the following counties.

Crawford	Richland	Ottawa
Sandusky	Seneca	Wyandot
Ashland	Erie	Huron

For the years ended June 30, 2014 and 2013, the financial statements present all funds related to the facility.

The Facility Governing Board has contracted Facility operation responsibilities to Oriana House, Inc., a nonprofit organization. Oriana House is responsible for essentially all management decisions related to the Facility, subject to the Facility Governing Board's oversight.

B. Basis of Accounting

These financial statements follow the basis of accounting the Ohio Department of Rehabilitation and Corrections prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary expenditures include amounts disbursed through the following September 30 but chargeable against the preceding year's budget.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

At June 30, 2014 and 2013, the carrying value of the Facility's cash fund balances were \$265,204 and \$360,621, respectively.

During 2014 and 2013, cash is held in demand deposits, a money market account and petty cash.

**CROSSWAEH COMMUNITY BASED CORRECTIONAL FACILITY
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

State Appropriations and Grants

Ohio Department of Rehabilitation and Corrections (ODRC) 501-501 Funding: ODRC grants this funding, appropriated from the State's General Fund, to the Facility to support general operating costs.

Oriana House Subsidy

Oriana House Subsidy consists of fiscal support provided by the managing nonprofit agency in excess of the costs financed by the 501-501 funding.

Offender Funds

Resident Program Fund: Reports receipts from a per diem fee charged to non-indigent offenders for room, board and medical treatment per Ohio Revised Code Section 2301.56 (C).

Offender Personal Funds: Reports 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.

Resident Funds Allowable Costs: Reports amounts received from telephone commissions generated by calls offenders place to locations outside the Facility. The Facility spends this money for programs and services benefiting the offenders.

Other / Miscellaneous:

Reports amounts received from vending machine commission generated by purchases offenders make in the Facility. The Facility spends this money for programs and services benefiting the offenders. Also includes amounts reimbursed by offenders for cab and bus fees incurred by the facility on their behalf; and other offender related items.

E. 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.

**CROSSWAEH COMMUNITY BASED CORRECTIONAL FACILITY
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

CROSSWAEH Community Based Correction Facility conforms to the purchasing guidelines approved by the Facility Governing Board.

A summary of fiscal years 2014 and 2013 budgetary activity appears in Note 2.

F. Property, Plant and Equipment

The Facility records acquisitions of property, plant and equipment as capital project disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

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

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ended 2014 and 2013 are as follows:

2014 Budgeted vs. Actual Budgetary Basis Disbursements		
Budget	Budgetary Disbursements	Variance
\$ 2,553,562	\$ 2,553,562	\$ -
2013 Budgeted vs. Actual Budgetary Basis Disbursements		
Budget	Budgetary Disbursements	Variance
\$ 2,526,368	\$ 2,526,368	\$ -

3. COLLATERAL ON DEPOSITS AND INVESTMENTS

Grants and State Appropriations

The Facility has Federal Deposit Insurance Corporation (FDIC) coverage for up to \$250,000 of its demand deposit accounts. Excess deposits are uncollateralized.

Offender Funds

Deposits

The Facility has Federal Deposit Insurance Corporation coverage of \$250,000 for Offender Funds. Excess deposits are uncollateralized.

**CROSSWAEH COMMUNITY BASED CORRECTIONAL FACILITY
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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, 2014 and 2013. 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.

Refund to ODRC		
	2014	2013
Cash, July 1	\$ 332,474	\$ 293,875
Disbursements Against Prior Year Budget	\$ (134,109)	\$ (90,670)
Subsidy Receipts	\$ 28,078	\$ 22,036
Cash Refunded to ODRC, July 1 Payables	\$ -	\$ -
Sub-Total	<u>\$ 226,443</u>	<u>\$ 225,241</u>
501 Cash Receipts	\$ 2,553,562	\$ 2,526,368
increase<decrease> Interest on 1/12 account	\$ (74)	\$ 13
Budgetary Basis Disbursements	\$ (2,553,562)	\$ (2,526,368)
Increase<decrease> in Contingent Benefit Liability	\$ (31,508)	\$ 11,503
Increase<decrease> in Reserved Comp. Absences	<u>\$ 10,247</u>	<u>\$ (10,324)</u>
Amount Subject to Refund, June 30	\$ 205,108	\$ 226,432
Reserve for Comp. Absences	\$ (185,035)	\$ (174,788)
Reserve for Contingent Benefit Liability	\$ (7,619)	\$ (39,114)
Payable to State from Prior Years	\$ (99)	\$ (86)
Up to One-Twelfth of 501 Award Cash Reserve	<u>\$ (12,432)</u>	<u>\$ (12,432)</u>
Refundable to ODRC	<u>\$ (76)</u>	<u>\$ 12</u>
Calculation of Interest Payable to ODRC		
	2014	2013
Payable, July 1	\$ 99	\$ 86
Cash Refunded	\$ (86)	\$ -
Refundable to ODRC, June 30	<u>\$ 12</u>	<u>\$ 13</u>
Payable, June 30	<u>\$ 25</u>	<u>\$ 99</u>

**CROSSWAEH COMMUNITY BASED CORRECTIONAL FACILITY
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

5. RESERVE FOR COMPENSATED ABSENCES AND CONTINGENT BENEFIT LIABILITY

During fiscal year 2005, the Facility received permission from the Ohio Department of Rehabilitation and Corrections to accrue employee vacation and sick leave as grant expenditures at the time the leave was earned and to reduce the accrual balance when leave is used. At June 30, 2014 and 2013, \$185,035 and \$174,788, respectively, was included in the 501-501 Fund Cash Balance for this reserve.

During fiscal year 2009 the facility began recognizing the retention plan for key employees on a monthly basis when the benefits are earned; and reduce the liability when the benefits are paid. Prior to this, the expense was recognized by the facility when paid. At June 30, 2014 and 2013, \$7,619 and \$39,114, respectively, was included in the 501-501 Fund Cash Balance for this reserve as a Contingent Benefit Liability.

6. RETIREMENT SYSTEM

The employees of the Community Based Correctional Facility contribute to Social Security.

7. RISK MANAGEMENT

Commercial Insurance

The Facility has obtained commercial insurance for the following risks:

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

8. CONTINGENT LIABILITIES

The Community Based Correctional Facility is not currently a defendant in any lawsuits.

9. RELATED PARTY TRANSACTION

The Facility paid Oriana House, Inc. annual rentals of \$12,132 and \$10,200 for fiscal years 2014 and 2013.

10. ADVANCES IN FROM/OUT TO AGENCY

During fiscal years 2014 and 2013, funds could have been advanced from the managing nonprofit agency to the Facility's checking account on an "as needed" basis, due to delays in receiving quarterly funding from the State or the County. These advances would have been used to cover payroll, benefits, various expenses and outstanding checks. The amount needed to fund the Facility checking account would have been determined by reconciliation and cash needs analysis on the Facility checking account. When the quarterly funding was received, the advances would have been repaid. However, during 2014 and 2013, no such advances were necessary.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

CROSSWAEH Community Based Correctional Facility
Seneca County
3055 South State Route 100
Tiffin, Ohio 44883

To the Members of the 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 CROSSWAEH Community Based Correctional Facility, Seneca County (the Facility), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2014, wherein we noted the Facility followed accounting practices the Ohio Department of Rehabilitation and Correction prescribes or permits rather than accounting principles generally accepted in the United States of America.

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.

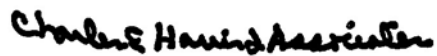
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

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.



Charles E. Harris & Associates, Inc.
November 26, 2014



Dave Yost • Auditor of State

CROSSWAEH COMMUNITY BASED CORRECTIONAL FACILITY

SUMMIT 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
APRIL 14, 2015**