**Community Based Correctional Facility**

**AOS Regulatory Basis Footnote Shell**

**Revised December 2023**

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| **Note: This shell is a guide for preparing your annual footnotes to the financial statements when filed on the AOS Regulatory Basis. These footnotes are not all inclusive and might include disclosures not applicable to your particular Community Based Correctional Facility. Modify, delete, or add additional disclosures as necessary. As an example: If your entity has joint ventures, related organizations, or jointly governed organizations pull in the applicable footnotes from the AOS Regulatory Basis Generic Special Purpose Government Notes Shell.****Items highlighted in yellow are provided for guidance purposes only and should be deleted prior to submission.****See GASB Codification 2300 – Notes to the Financial Statements. As communicated in paragraph .102, the notes to the financial statements should communicate information essential for fair presentation of the basic financial statements that is not displayed on the face of the financial statements. As such, the notes form an integral part of the basic financial statements. Notes should focus on the primary government—specifically, its governmental activities, business-type activities, major funds, and nonmajor funds in the aggregate. Information about the government's discretely presented component units should be presented as discussed in paragraph .105.****Items highlighted in green are items that are generic, and should be reviewed for entity specific information and modified to report specifics for your Community Based Correctional Facility.****In this sample 20CY means current year and 20PY means prior year and would be replaced with the four digit current year (for example 2023) or four digit prior year (for example 2022).*****Note: The* Ohio Department of Rehabilitation and Corrections (ODRC) prescribes the reporting for CBCFs. Auditor of State Bulletin 2011-004 mandated Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for financial statements for periods beginning after June 15, 2010.  However, AOS cannot require CBCFs to report GASB 54 fund balance categories and classifications or disclosures.** |

***Aqua Highlights are 2023 updates.***

* ***Where these highlights are included within yellow highlighted areas, this information is for reference only and should be deleted prior to submission.***
* ***Where these highlights are included within green highlighted areas, this information should be reviewed and modified to report specifics for your entity.***
* ***Where these highlights are not within another color, you will need to review to determine if this applies to your specific entity, and modify or delete.***
* ***Updates have been made related to GASB 96, Subscription-Based Information Technology Arrangements, please see AOS Bulletin 2023-005 for additional information.***  [Bulletin\_2023-005.pdf (ohioauditor.gov)](https://ohioauditor.gov/publications/bulletins/2023/Bulletin_2023-005.pdf)
* ***Although uncommon for smaller governments, GASB 94, Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA) disclosures can be added with leases and SBITAs and with debt, if applicable***
* ***Please note, Note 13 related to COVID-19 has been updated.***
* ***If*** ***you are a participant in the OneOhio or Monsanto Legal Settlements, see the generic special purpose government notes for sample disclosure.***

**Note 1 – Reporting Entity**

The XYZ Community Based Correctional Facility (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 XXX offenders. [*approximate number as of fiscal year end*] A Facilities Governing Board oversees the Facility’s operations. Common pleas judges from the ABC County *[Or insert “Counties” for multi-County CBCFs]* the Facility serves compose 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 Facility serves ABC County *[If the CBCF serves more than one County, substitute the following:]* The Board includes at least one common pleas court judge from each county the Facility serves. The Facility serves the following counties:

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| --- | --- | --- |
| NAME OF COUNTY | NAME OF COUNTY | NAME OF COUNTY |
| NAME OF COUNTY | NAME OF COUNTY | NAME OF COUNTY |
| NAME OF COUNTY | NAME OF COUNTY | NAME OF COUNTY |

For the year ended fiscal year end date, the financial statement presents all funds related to the Facility.

The Facilities Governing Board has contracted Facility operations to DEF House, a nonprofit organization. DEF House is responsible for essentially all management decisions related to the Facility, subject to the Facility Governing Board’s oversight.  *[Change to correct name of Non-Profit.]*

***Should your Facility participate in jointly governed organizations, joint ventures and/or public entity risk pools or is associated with related organizations, you should identify the specific types of organizations. A description of the organizations should be included later in the notes. The Generic Special Purpose Government Notes shell Note 1 can be used as an example for wording. See Also Notes 14, 15, 16 and 17 for assistance with the descriptions of the organizations. You can cut and paste into this example.***

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

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

***Fund Accounting***

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

*(Delete all unnecessary / inapplicable fund types)*

***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 Grant Match*** Reports amounts received to meet any Federal program matching fund requirements.

***Federal*** Reports amounts received from the Federal government, including amounts passed through ODRC.  *[If significant, describe names of grants and what the grant money can be used for.]*

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

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

*Previously, CBCFs maintained separate Offender Per Diem, Commissary, Telephone Commission Funds as well as “Other” Funds for similar services (i.e. vending commissions). ORC 2301.58 permits combining all these funds into a Resident Program Fund.*

*Prior to ORC 2301.58 (effective 10-12-06), CBCFs also had the option of establishing an Industrial & Entertainment Fund (see “example 2” below) similar to prisons.  Some facilities called it I&E Fund, Commissary Fund or a similar name for the fund.  The fund was for monies paid by offenders such as per diems, telephone commissions and/or commissary purchases. Originally, there were no guidelines in the ORC for these types of funds; therefore CBCFs followed prison guidelines in that the monies could only be used for the resident population if the purchase benefitted the population as a whole. ORC 2301.58 also specified these revenues are to be used for the benefit of residents and eliminated the ‘grey area’ of purchases by clearly outlining types of goods/services that could be purchased from this fund with the approval of the FGB.*

*Some CBCFs may not have changed their Per Diem, Commissary, and Telephone Commission Funds (or similar funds) records into one fund titled ‘Resident Program Fund’ (or similar name). If your CBCF did not combine these funds into the Resident Program Fund (or like fund titled differently), your auditors may cite you for not following the code.*

*If your CBCF established the Resident Program Fund, you should record a transfer-out of the cash balance from the Offender Per Diem, Commissary, Telephone Commission or similar “Other” funds and record a transfer-in of the cash balances into the Resident Program Fund as of the date the facility governing board approves establishing a resident program fund.*

*Your CBCFs should still maintain offender personal funds in a separate fund.*

*As noted above, ORC 2301.58 permits but not requires the CBCF combining these funds into the Resident Program Fund. If your CBCF did* ***not*** *establish the Resident Program Fund noted above, use the following footnote:*

 ***Offender Funds***

*[NOTE: Facilities may group their Offender Funds differently than the two examples below. We will accept any grouping that permits the Facility to accurately keep record of offenders’ receipts and disbursements.]*

 *[EXAMPLE 1]*

***Offender Per Diem*** 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).

***Telephone Commissions*** 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.

***Offender Personal Funds*** Are 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.

***Commissary*** Reports amounts charged to non-indigent offenders’ personal funds for use of the commissary, per Ohio Revised Code Section 2301.58.

***Other/Miscellaneous***  *[Describe other significant sources of receipts, such as vending commissions.]*

 *[EXAMPLE 2]*

***Offender Personal Funds*** Are 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.

***Industrial and Entertainment Fund*** This fund receives other Offender Funds, such as telephone and commissary commissions, and per diem rates charged to employed offenders. This fund pays for programs and services benefiting offenders, such as indigent offenders’ supplies and entertainment. The Resident Fund reimburses this Fund for costs chargeable to Offender Funds.

*[If your CBCF* ***did*** *establish the Resident Program Fund noted above, use the following footnote:]*

 ***Offender Funds***

***Resident Offender Funds*** These funds reported receipts from commissions on telephone systems, commissary operations, reimbursable costs such as per diem and medical services, and similar services until Month XX, YEAR, when the Facilities Governing Board transferred its balance into the Resident Program fund pursuant to House Bill 162. Prior to Month XX, YEAR, the Facility disbursed this money for expenses listed in Ohio Revised Code Section 2301.58(A).

*[If the CBCF established the Resident Program Fund ORC 2301.58 established, the financial statements should reflect this activity as a transfer. See instructions above for additional guidance.]*

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

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

***Offender Personal Funds*** This fund reported amounts the Facility receives and holds in a custodial capacity for each offender while confined. The Facility holds personal funds, including salaries offenders earn while confined, and maintains separate balances for each offender. The Facility makes payments as directed by the offender or per program requirements. Upon release, the Facility pays remaining funds to the offender.

***Basis of Accounting***

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

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

***Budgetary Process***

***Appropriations*** The Facility must budget its intended uses of ODRC 501-501 funding as part of its funding application to ODRC. After ODRC approves the budget, the Board formally adopts it. The Facility cannot spend or obligate (i.e., encumber) more than the appropriation. Facilities must obtain approval from ODRC to transfer amounts between budget categories.

***Encumbrances*** *[CBCFs are permitted to charge unpaid commitments liquidated within 90 days of fiscal year end against the prior year 501 funding, similar to the manner in which local governments charge encumbrances to appropriations at the time of commitment. The process described below applies to some CBCFs using counties as their fiscal agent. You may need to modify this note.]*

Disbursements from State appropriations and Grants are subject to ABC County’s payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. The budgetary disbursement amounts reported in Note 4 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 6.) *[Modify footnote references if after completion the footnote numbers change.]*

A summary of 20CY budgetary activity appears in Note 4. *[Modify footnote reference if after completion the footnote number changes.]*

***Deposits and Investments***

*[Delete “and investments” in section header above if county is not fiscal agent and the CBCF holds no investments. NOTE: The 501 grant agreement with ODRC prohibits investing funds. Therefore, we should cite the agreement for any investments.]*

The ABC County Treasurer is the custodian of the Facility’s grant funds and State appropriations. The County holds these Facility assets in the County’s deposit and investment pool, valued at the County Treasurer’s reported carrying amount. The Facility holds offenders’ cash in demand deposit accounts. *[Delete paragraph if county is not fiscal agent for grant funds.]*

The Facility *[replace with* DEF *House, if applicable]* also holds certain investments, reported as assets. Accordingly, the Facility does not record disbursements for investment purchases, or receipts for investment sales. The Facility reports receipts or disbursement for investment gains or losses when sold. *[This paragraph should describe investments (if any) the CBCF holds, modify as needed. Delete paragraph if Facility has no investments.]*

U.S. Treasury Notes and common stock are valued at cost (or fair value when donated). *<<DELETE IF NO DONATED INVESTMENTS*. Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. [*Modify this note as needed. Only describe investments actually held during the fiscal year. If equity securities have an impaired value deemed “other than temporary,” write them down to fair value.)]*

The Facility credits interest earnings to the [name of account]. The County credits earnings on Facility investments to the County’s General Fund. Total investment earnings were $XXX in 20CY.

***Capital Assets***

The Facility records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets. [*Delete this footnote if your Facility does not own any Capital Assets*]

***Accumulated Leave***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave. *[Delete this note if no employees are entitled to these benefits.]*

***Leases and SBITAs***

The Facility is the lessor/lessee in various leases (as defined by GASB 87) related to buildings, vehicles, and other equipment under noncancelable leases. Lease revenue/disbursements are recognized when they are received/paid. *(Edit as needed. This note can be deleted if the Facility has no GASB 87 leases)*

The Facility has entered into noncancelable Subscription-Based Information Technology Arrangements (SBITA) contracts (as defined by GASB 96) for several types of software including contracts related to financial systems and various other software. Subscription disbursements are recognized when they are paid. (Edit as needed. This paragraph can be deleted along with the reference to SBITAs in the note heading, if the Facility has no GASB 96 SBITAs.)

The following is instructional. If the Facility has any PPPs or APAs under GASB 94, add explanation. See sample language in the generic special purpose government notes.

**Note 3 – Compliance**

*Disclose any material budgetary violations here.*

**Note 4 – Budgetary Activity**

Budgetary activity for ODRC 501-501 funding the year ending [End of reporting period] follows:



*(Note: The above is an embedded Excel Spreadsheet. Double-click to edit. Do not enter $ signs.)*

*(Insert the following in the above tables:*

* *Budget from the approved budget and any amendments made during the period plus Prior Year Carryover Encumbrances.*
* *Budgetary Expenditures from the Financial Statements plus Outstanding Encumbrances at Year End.)*

**Note 5 – Collateral on Deposits and Investments**

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

***Offender Funds***

***Deposits*** *(Do not include this section if utilizing a fiscal agent)*

*Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions have the option of participating in OPCS or collateralizing utilizing the specific pledge method. The following note will need to be customized to fit the Commission’s specific situation: 1) Participating in OPCS or 2) Financial institution utilizing specific securities to collateralize deposit.*

Deposits are insured by the Federal Deposit Insurance Corporation; [or] collateralized by securities specifically pledged by the financial institution to the Commission; *(delete if there is no specific pledging)* or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. *(Delete if no pool is used)*

At December 31, 20CY, *(Insert other time period if applicable during the fiscal year.)* $XXX of deposits were not insured or collateralized, contrary to Ohio law. *(Modify as needed. If deposits are not collateralized due to reduced collateral through OPCS, describe the collateral, and delete “contrary to Ohio law.”)*

*If the Facility also has segregated accounts, such as clearing accounts (including payroll clearing accounts) and amounts with fiscal and escrow agents that are not part of this pool, please see the Village note shell for additional required disclosures at the following link:* [*http://www.ohioauditor.gov/references/shells/regulatory.html*](http://www.ohioauditor.gov/references/shells/regulatory.html)*.*

***Investments***

*(Delete if your Facility does not have investments.) (The following MUST be modified, based on the Facility’s circumstances.)* The Federal Reserve holds the Facility’s U.S. Treasury Notes in book-entry form, in the name of the Facility’s financial institution. The financial institution maintains records identifying the Facility as owner of these securities.

*[The following sentences describe some repurchase agreements / sweep accounts. However, circumstances may require modification to this disclosure. Also, not all sweep accounts are repurchase agreements.]*  The Facility’s financial institution transfers securities to the Facility’s agent to collateralize repurchase agreements. The securities are not in the Facility’s name.

*[The following may describe some equity securities, but you should check with the broker-dealer or financial institution.]* A financial institution’s trust department holds the Facility’s equity securities in book-entry form in the Facility’s name.

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**Note 6 – Refund to ODRC**

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Facility must refund any excess over this amount to ODRC. The schedule below computes the refund to ODRC for the year ending June 30. Disbursements below include cash paid to liquidate encumbrances outstanding at June 30 and exclude disbursements made during the fiscal year against amounts encumbered the prior June 30. The Facility refunds amounts computed below in the fiscal year following the computation below.



**Note 7 – Risk Management**

*(Note: Use only the paragraphs that apply. Some of the descriptions below are mutually exclusive, so you must make appropriate modification.) (If your Facility belongs to Ohio Plan Healthcare Consortium, Inc. (OPHC), Ohio Plan Risk Management, Inc. (OPRM), Ohio Municipal League Self Insurance or Public Entities Pool (PEP) see* [*http://www.ohioauditor.gov/references/shells/footnotes.html*](http://www.ohioauditor.gov/references/shells/footnotes.html) *for applicable risk management footnote. Replace the applicable parts of the footnote below with the specialized footnote.)*

*(If the footnote at the link above is not for the fiscal year you are reporting, please obtain the necessary information from these risk management agencies, as applicable. If the footnote information is not available for your fiscal year from these agencies, use the most recent information available and add a note in your footnote referencing the time period of the information reported and indicate it is the most recent information available at the time the footnotes were prepared.)*

***Workers’ Compensation***

*The specialized footnote can be inserted here.*

*OR, if not included in a risk pool or group rating for WC, use the paragraph below:*

Workers’ Compensation coverage is provided by the State of Ohio. The Facility pays the State Workers’ Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs. *(If material; can be deleted if immaterial*.)

***Commercial Insurance***

The Facility has obtained commercial insurance for the following risks: *[Note: If a Facility is covered by its county’s insurance, we can revise the preceding sentence as follows: “*The Facility is included in XYZ County’s commercial insurance policies for the following risks:*”]*

* Comprehensive property and general liability;
* Vehicles; and
* Errors and omissions.

The Facility is uninsured for the following risks:

* Comprehensive property and general liability;
* Vehicles; and
* Errors and omissions.

*(Insert the following sentence if uninsured losses were material.)* During 20CY, the Facility paid $XXX for losses that exceeded insurance coverage.

*(Also disclose any significant changes in coverage from the prior year.*)

***Should your Facility participate in self-insurance, see the Generic Special Purpose Government Notes shell, Note 8, Risk Management, for a sample. You can cut and paste into this example.***

**Note 8 – Defined Benefit Pension Plans**

*[Modify to meet your Facility’s situation. In general, 1) all Facility certified teachers belong to STRS and all other Facility employees participate in OPERS. Employees exempt from OPERS and STRS in accordance with Ohio Revised Code 145.01(B) or Ohio Administrative Code Section 145-1-26 and Ohio Revised Code Section 3307.01(C), respectively, may be subject to Social Security Tax. Only include retirement systems applicable to your Facility.]*

***Ohio Public Employees Retirement System*** *(Delete this note if no employees are entitled to these benefits.)*

The/Several *[Modify reference to number of employees participating in OPERS.]* Facility employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

*(Note: You must modify the contribution rates as applicable. See chart below. The chart is only for reference and can be deleted.)* The Ohio Revised Code also prescribes contribution rates. OPERS members contributed XX percent of their gross salaries, and the Facility contributed an amount equaling XX percent of participants’ gross salaries. The Facility has paid all contributions required through June 30, 20CY.

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| --- | --- | --- | --- |
| *Retirement Rates* | *Year* | *Member Rate* | *Employer Rate* |
| *OPERS – Local* | *2012-2023* | *10%* | *14%* |

***School Teachers Retirement System*** *(Delete this note if no employees are entitled to these benefits.)*

The Facility’s certified teachers belong to the State Teachers Retirement System (STRS). STRS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes plan benefits, including postretirement health care and survivor and disability benefits.

*(Note: You must modify the contribution rates as applicable. See chart below. The chart is only for reference and can be deleted.)* The Ohio Revised Code also prescribes contribution rates. STRS members contributed XX percent of their gross salaries to STRS. The Facility contributed an amount equal to XX percent of participants’ gross salaries to STRS. The Facility has paid all contributions required through date of fiscal year end.

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| --- | --- | --- | --- |
| *Retirement Rates* | *Year* | *Member Rate* | *Employer Rate* |
| *STRS* | *July 1, 2014 - June 30, 2015* | *12%* | *14%* |
| *STRS* | *July 1, 2015 – June 30, 2016* | *13%* | *14%* |
| *STRS* | *July 1, 2016 – forward* | *14%* | *14%* |

**Social Security** *(Delete this note if no employees are entitled to these benefits.)*

The/Several *[Modify reference to number of employees participating in Social Security.]* Facility employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Facility contributed an amount equal to 6.2 percent of participants’ gross salaries. The Facility has paid all contributions required through date of fiscal year end.

**Note 9 – Postemployment Benefits**

*(Modify for your Facility)*

Both OPERS and STRS offer cost-sharing, multiple-employer defined benefit postemployment plans. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. STRS provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans and their eligible dependents. For calendar year 2023, the portion of OPERS employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2023, the portion of employer contributions OPERS allocated to health care for members in the member-directed plan was 4.0 percent; however, a portion of the health care rate was funded with reserves. STRS contributes 0 percent to fund these benefits. (*Edit to include only your reporting period**.* *This paragraph replaces prior note.)*

**Note 10 – Contingent Liabilities**

*[Modify as needed. Briefly describe potentially material suits. Include the range of potential loss. However, avoid naming plaintiffs. Allow your legal counsel to review your draft language before finalizing the footnotes. CBCFs may be subject to more lawsuits than other local governments. You should analyze them carefully. The generic language below may require revision to adequately disclose the contingencies. Discuss the adequacy of disclosure with senior engagement management, and with CFAE, if needed.]*

*Example* The Facility is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, the Facility’s counsel believes the resolution of these matters will not materially adversely affect the Commission’s financial condition.

**Note 11 – Related Party Transactions** *[Modify as needed.]*

*GASB Codification Section 2250 Starting at Paragraph .102*

*Related party transactions are transactions that an informed observer might reasonably believe reflects considerations other than economic self-interest based upon the relationship that exists between the parties to the transactions. The term is often used in contrast to an arm’s length transaction. The notes should disclose the terms of material related party transactions. See GASB 56 for further guidance.*

*Example:* A Board member is part owner of a company from which the Facility acquired *(described acquisition briefly)* during the year. The Facility paid $XXX for this acquisition. The Facility also uses office space a Board member donated.

*Significant\* related party transactions must be disclosed. They may be indicative of ethics or other violations, but that is not the purpose of disclosing related party transactions. Related party transactions require disclosure because the reported amount of a transaction not conducted at arms-length may not be indicative of its true value, and may mislead readers about the Facility’s ongoing ability to obtain or provide these goods or services if it must repay (or receive) fair value for them in future years.*

The XYZ Management Company paid $XXX to ABC Company, its affiliate, for facility rental during 20XX.

*\*A transaction may be “significant” when the dollar amount is immaterial, if it does not represent the fair value of the transaction. For example, a government may rent a facility to a related party for $1 per year.*

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| ***NOTE! Related party transactions (RPT) are an extremely sensitive and high risk audit area where a nonprofit manages the CBCF. Remember RPTs include transactions between affiliated entities, not just individuals. We should disclose significant transactions where the non profit can authorize / control both sides of the transaction (i.e., transactions that are not arms length). For example, we would not deem payments a management company makes to employees it hires to work solely at the CBCF to be RPT, since it was made at arms length: The employee decides whether or not to work for that wage. However, payments a mgt. co. makes to an affiliated company, or pays to itself for facility rental would be RPT, since such payments are not at arms length. Judgment is required. See additional guidance in the nonpayroll disbursements section of the CBCF audit program. Consult with CFAE if in doubt.*** ***Disclose overhead amounts allocated to the CBCF as RPT, if the non profit allocates overhead to more than one entity, since the non profit authorizes / controls both sides of the transaction. If overhead is significant, briefly disclose the method / formula the non profit uses to allocate overhead.******RPT do not necessarily indicate illegal acts or ethical violations, though they may be. The accounting significance is that the dollar amount recorded for an RPT may or may not represent its fair value.*** |

**Note 12 – Subsequent Events**

*A Subsequent Event is an event or transaction that affects the financial statement that is subsequent to the date of the financial statements (i.e. Fiscal Year End Date) but before financial statements are issued. GASB Codification 2250 starting at paragraph .109.*

*(Describe material debt issuances, uninsured losses, new tax levies, material federal or state grant awards or other material revenues or expenditures incurred subsequent to the financial statement date.)*

**Note 13 – COVID-19**

*These disclosures are optional and should be removed when substantially all COVID-19 funding has been spent. As described below, this note can also help explain any unique COVID situations.*

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 while the national state of emergency ended in April 2023.  During 2023, the Facility received COVID-19 funding.  (Edit or delete as needed.)  The Facility will continue to spend available COVID-19 funding consistent with the applicable program guidelines (Specific material impacts from the pandemic may be addressed such as decreases in revenues, personnel impacts, and the Facility’s specific responses to mitigating the negative impacts of the pandemic as well as awards of federal and state COVID relief programs may be addressed at the discretion of the fiscal officer. This note can be removed when substantially all COVID-19 funding has been spent.)

This paragraph is instructional. The following disclosures may help explain some of the unique COVID situations and can be used as appropriate. Also, the paragraph about investment volatility can be removed.

(If the entity used the billing method to charge prior year expenditures to an applicable COVID fund, the following disclosure should be made.) During 2023, the Facility charged prior year expenditures to the XXX Fund (identify specific COVID Fund).  The XXX Fund (identify the fund that made the original expenditure) billed the XXX Fund (identify specific COVID fund) for these costs.  The XXX Fund (identify the fund that made the original expenditure) is reflecting this receipt of $XXX,XXX as a XXXXX Revenue (identify revenue classification) in the accompanying financial statements.

*If the Facility has sub-granted any COVID-19 funding to another government or organization, spent any funding on behalf of another government, received any funding or assets that were purchased on behalf of the Facility by another government, or was required to return any funding to the granting agency, please see the Generic Special Purpose Government note shell for additional required disclosures at the following link:* [*http://www.ohioauditor.gov/references/shells/regulatory.html*](http://www.ohioauditor.gov/references/shells/regulatory.html)

*Customizing the above disclosures of COVID-19 federal funding by program (American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Fund, and other similar COVID-19 related programs) is at the discretion of management.*