



Mary Taylor, CPA
Auditor of State

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

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Mary Taylor, CPA
Auditor of State

River City Correctional Center
Hamilton County
3220 Colerain Avenue
Cincinnati, Ohio 45202

To the 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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally 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 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 the AOS permits.

Mary Taylor

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Auditor of State

November 2, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

River City Correctional Center
Hamilton County
3220 Colerain Avenue
Cincinnati, Ohio 45202

To the Facility Governing Board:

We have audited the accompanying financial statements of the River City Correctional Center, Hamilton County, Ohio (the Center), as of and for the years ended June 30, 2006 and 2005. 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 that 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Center to reformat its financial statement presentation and make other changes. Instead of the fund statements presented, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately. 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. Since the Center does not use GAAP to measure financial statement amounts, 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 paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Center's funds as of June 30, 2006 and 2005, or their changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and unpaid obligations of the River City Correctional Facility as of June 30, 2006 and 2005, and the related cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. 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

November 2, 2007

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>State Appropriations and Grants</u>			<u>Offender Funds</u>		<u>Totals</u>
	<u>ODRC 501-501</u>	<u>RSAT Grant</u>	<u>Federal</u>	<u>Offender Personal Funds</u>	<u>I&E Telephone Commissions</u>	
Cash Receipts:						
Intergovernmental	\$ 6,004,806	\$ 6,971	\$ 76,094	\$ -	\$ -	\$ 6,087,871
Receipts for offenders	-	-	-	185,681	4,170	189,851
Collections from offenders	-	-	-	-	4,303	4,303
Commissions	-	-	-	-	54,250	54,250
Reimbursement	4,176	-	-	-	728	4,904
Total Cash Receipts	6,008,982	6,971	76,094	185,681	63,451	6,341,179
Cash Disbursements:						
Personnel	4,839,439	6,971	33,347	-	-	4,879,757
Operating costs	955,575	-	42,747	372	-	998,694
Program costs	127,015	-	-	-	81,484	208,499
Equipment	40,105	-	-	-	-	40,105
Offender Disbursements:						
Offender legal obligations	-	-	-	5,415	-	5,415
Offender reimbursements	-	-	-	69,837	-	69,837
Offender payments to CBCF	-	-	-	82,561	-	82,561
Offender savings paid at exit	-	-	-	29,074	-	29,074
Total Cash Disbursements	5,962,134	6,971	76,094	187,259	81,484	6,313,942
Disbursements from prior FY (Including refund to ODRC)	246,505	-	-	-	-	246,505
Total Receipts Over/(Under) Disbursements	(199,657)	-	-	(1,578)	(18,033)	(219,268)
Fund Cash Balances, July 1, 2005	310,723	-	-	3,865	37,059	351,647
Fund Cash Balances, June 30, 2006	<u>\$ 111,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,287</u>	<u>\$ 19,026</u>	<u>\$ 132,379</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 40,026</u>					

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>State Appropriations and Grants</u>			<u>Offender Funds</u>		<u>Totals</u>
	<u>ODRC 501-501</u>	<u>RSAT Grant</u>	<u>Federal</u>	<u>Offender Personal Funds</u>	<u>I&E Telephone Commissions</u>	
Cash Receipts:						
Intergovernmental	\$ 7,529,246	\$ 17,011	\$ 92,071	\$ -	\$ -	\$ 7,638,328
Receipts for offenders	-	-	-	182,872	7,309	190,181
Collections from offenders	-	-	-	-	6,591	6,591
Commissions	-	-	-	-	45,183	45,183
Reimbursement	-	-	-	-	844	844
Total Cash Receipts	7,529,246	17,011	92,071	182,872	60,771	7,881,971
Cash Disbursements:						
Personnel	4,616,174	32,778	92,071	-	-	4,741,023
Operating costs	929,920	842	-	302	-	931,064
Program costs	118,344	-	-	-	47,614	165,958
Equipment	29,635	-	-	-	-	29,635
Offender Disbursements:						
Offender legal obligations	-	-	-	7,769	-	7,769
Offender reimbursements	-	-	-	62,751	-	62,751
Offender payments to CBCF	-	-	-	76,809	-	76,809
Offender savings paid at exit	-	-	-	37,092	-	37,092
Total Cash Disbursements	5,694,073	33,620	92,071	184,723	47,614	6,052,101
Disbursements from prior FY (Including refund to ODRC)	803,718	-	-	-	-	803,718
Total Receipts Over/(Under) Disbursements	1,031,455	(16,609)	-	(1,851)	13,157	1,026,152
Fund Cash Balances/(Deficit), July 1, 2004	(720,732)	16,609	-	5,716	24,746	(673,661)
Fund Cash Balances, June 30, 2005	<u>\$ 310,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,865</u>	<u>\$ 37,903</u>	<u>\$ 352,491</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 246,505</u>					

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The River City Correctional Center, Hamilton County, Ohio (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 200 offenders. The Facility Governing Board administers the Center. The Board is comprised of common pleas court judges from the County the Center serves. The Center serves Hamilton County.

For the years ended June 30, 2006 and 2005, 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 Auditor of State requires.

C. Cash

The Hamilton County Treasurer is the custodian of the Center's grant funds and State appropriations. The County holds these Center assets in the County's cash and investment pool, valued at the County Treasurer's reported carrying amount. The Center holds offenders' cash in demand deposit accounts.

D. Fund Accounting

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

State Appropriations and Grants

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

Ohio Office of Criminal Justice Services (OCJS) Funding: OCJS serves as the pass through organization for monies being distributed by the Federal Government. The Center receives monies from OCJS under the Residential Substance Abuse Treatment for State Prisoners (RSAT) Program. RSAT funds are used to develop and implement residential substance abuse treatment programs.

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Department of Education Funding: The Center receives Federal monies from DOE under the National School Lunch Program. DOE reimburses the Center for food costs associated with providing meals to residents that are under the age of 21. It should be noted that these monies are not in the form of a grant.

Federal: Reports amounts received from the Federal government, including amounts passed through ODRC. The Center received ABLE and Title I grants during the audit period. ABLE and Title I grants are used for teacher salaries, equipment and supplies. These are both cost reimbursement grants.

Offender Funds

Offender Personal Funds: Are amounts the Center receives and holds in a custodial capacity for each offender while confined. The Center holds personal funds, including salaries offenders earn while confined, and maintains separate balances for each offender. The Center makes payments as directed by the offender or per program requirements. Upon release, the Center 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.

E. Budgetary Process

1. Appropriations

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

2. Encumbrances

Disbursements from State appropriations and Grants are subject to Hamilton 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 3 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.)

A summary of 2006 and 2005 budgetary activity appears in Note 2.

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2006 and 2005 follows:

2006 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$6,004,806	\$6,002,160	\$2,646

2005 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$6,004,806	\$5,940,578	\$64,228

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

Deposits

The Center has Federal Deposit Insurance Corporation coverage of \$100,000 for Offender Funds. There are no uncollateralized amounts at June 30, 2006 and 2005.

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

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		
	2006	2005
Cash, July 1	\$310,723	(\$720,732)
Disbursements Against Prior Year Budget	(246,505)	(507,296)
Payable to ODRC, July 1	(64,215)	(296,425)
Sub-Total	3	(1,524,453)
501 Cash Receipts	6,004,806	7,529,246
Budgetary Basis Disbursements	(6,002,160)	(5,940,578)
Amount Subject to Refund, June 30	2,649	64,215
One-Twelfth of 501 Award	500,400	500,400
Refundable to ODRC	\$2,649	\$64,215

Calculation of Payable to ODRC		
	2006	2005
Payable, July 1	\$64,215	\$296,425
Cash Refunded		(296,425)
Refundable to ODRC, June 30	2,649	64,215
Payable, June 30	\$66,864	\$64,215

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 2006 and 2005, OPERS members contributed 8.5 percent of their gross salaries to OPERS. The Center contributed an amount equal to 13.55 percent of participants' gross salaries. The Center has paid all contributions required through December 31, 2006.

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The Center is included in Hamilton County's commercial insurance policies for the following risks:

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

7. SUBSEQUENT EVENTS

House Bill 162 was signed on July 11, 2006 and subsequently became effective in 90 days. This bill divides the governance of Community-Based Correctional Facilities (CBCFs) between two entities: a Facility Governing Board, composed of citizens who are not judges, supervises the administration and management of the CBCFs and a Judicial Advisory Board, composed of judges, provides advice on programming and other specified matters. This division would resolve the ethical conflicts and maintain appropriate judicial involvement.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

River City Correctional Center
Hamilton County
3220 Colerain Avenue
Cincinnati, Ohio 45202

To the Facility Governing Board:

We have audited the financial statements of the River City Correctional Center, Hamilton County, Ohio (the Center), as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated November 2, 2007, wherein we noted the Center followed accounting practices the Auditor of State prescribes 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Center's management dated November 2, 2007, we reported other matters involving internal control over financial reporting we did not deem a reportable condition.

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated November 2, 2007.

River City Correctional Center
Hamilton County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management, the Facility Governing Board, and the Ohio Department of Rehabilitation and Corrections. It is not intended for anyone other than these specified parties.

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Mary Taylor, CPA
Auditor of State

November 2, 2007

**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006 AND 2005**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2006-001

Noncompliance Citation- Finding for Recovery Repaid Under Audit

Helen Magers, Program Director had a starting balance of 0.0778 of vacation hours from July 1, 2005 through June 30, 2006. She accrued 128 hours during the year in which she used 135 hours. Ms. Magers ending balance should have been -6.9222 however due to a miscalculation in the leave records, these records stated the balance of 5.7378. There was a variance of 12.66 vacation hours. Ms. Magers used more vacation hours than she accrued during 2006. This resulted in an overpayment of \$237.08 (\$34.25/hrX6.922 hours)

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Helen Magers, Program Director, in the amount of \$237.08, and in favor of the ODRC fund, fund 501.

When informed of these facts, Ms. Mager agreed to have her current vacation balance adjusted by decreasing these balances 12.66 hours. This adjustment was made on the River City Correctional Facilities leave records on March 6, 2007.

Official Response:

As soon as the issue of Ms. Magers vacation time overpayment of \$237.08 was brought to our attention, her vacation hours were adjusted by -12.66 hours. This error was caused by a corrupted formula in the Excel spreadsheet that is used to track employees' leave. All spreadsheets, including blank spreadsheets, were reviewed and the corruption was determined to be limited to Ms. Magers' worksheet. In addition, all spreadsheets will be audited quarterly to ensure that this does not happen in the future.

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**RIVER CITY CORRECTIONAL CENTER
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC Section 149.351 - destruction of records	Yes	Corrective Action Taken
2004-002	Community Based Correctional Facility Grant Manual '02-'03 Section IV, D1a (Pg. 50); '04-'05 Section II D1a (Pg. 15) – expenditures exceeding grant award	Yes	Corrective Action Taken
2004-003	Community Based Correctional Facility Grant Manual '02-'03 Section IV, 3b (Pg. 58); '04-'05 Section II 3e (Pg. 24) – quarterly financial reports not submitted within 30 days after quarter end	Yes	Corrective Action Taken
2004-004	Approval of Invoices – failure of approval by the Administrative Director	Yes	Corrective Action Taken



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**RIVER CITY CORRECTIONAL CENTER
HAMILTON 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
DECEMBER 18, 2007**