



Mary Taylor, CPA
Auditor of State

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

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Mary Taylor, CPA
Auditor of State

Eastern Ohio Correction Center
Jefferson County
P.O. Box 2400
Winterville, Ohio 43953

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

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While the Ohio Department of Rehabilitations and Corrections (ODRC) does not require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format ODRC prescribes or permits.

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Mary Taylor, CPA
Auditor of State

September 10, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Eastern Ohio Correction Center
Jefferson County
P.O. Box 2400
Winterville, Ohio 43953

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

We have audited the accompanying financial statements of the Eastern Ohio Correction Center, Jefferson County, (the Center) as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Center has prepared these financial statements using accounting practices the Ohio Department of Rehabilitation and Corrections prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the Center does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the 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 the Eastern Ohio Correction Center, Jefferson 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 September 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 10, 2010

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
EASTERN OHIO CORRECTIONS CENTER**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2010**

	State Appropriations and Grants				Offender Funds		Totals
	ODRC 501-501	Federal Grant Match	Federal	Capital CAP 003	Resident Program	Offender Personal Funds	
Cash Receipts:							
Intergovernmental	\$ 3,012,137	\$ 18,587	\$ 88,342	\$ 80,340	\$ -	\$ -	\$ 3,199,406
Receipts for offenders	-	-	-	-	-	146,960	146,960
Collections from offenders	-	-	-	-	13,483	-	13,483
Commissions	-	-	-	-	64,202	-	64,202
Reimbursement	638	-	-	8,138	33,710	-	42,486
Total Cash Receipts	3,012,775	18,587	88,342	88,478	111,395	146,960	3,466,537
Cash Disbursements:							
Personnel	2,143,503	-	-	-	-	-	2,143,503
Operating costs	714,088	-	-	-	-	-	714,088
Program costs	12,086	26,702	88,974	-	100,354	-	228,116
Equipment	48,649	-	-	-	-	-	48,649
Capital project	-	-	-	80,340	-	-	80,340
Offender Disbursements:							
Offender legal obligations	-	-	-	-	-	3,708	3,708
Offender reimbursements	-	-	-	-	-	59,795	59,795
Offender payments to CBCF	-	-	-	-	-	3,262	3,262
Offender savings paid at exit	-	-	-	-	-	74,885	74,885
Total Cash Disbursements	2,918,326	26,702	88,974	80,340	100,354	141,650	3,356,346
Total Receipts Over/(Under) Disbursements	94,449	(8,115)	(632)	8,138	11,041	5,310	110,191
Fund Cash Balances, July 1, 2009	111,851	12,333	36,927	-	7,723	1,282	170,116
Fund Cash Balances, June 30, 2010	\$ 206,300	\$ 4,218	\$ 36,295	\$ 8,138	\$ 18,764	\$ 6,592	\$ 280,307
Unpaid Obligations/Open Purchase Orders	\$ 141,110	\$ -	\$ 11,815	\$ -	\$ -	\$ -	\$ 152,925

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
EASTERN OHIO CORRECTIONS CENTER**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2009**

	State Appropriations and Grants			Offender Funds		Totals
	ODRC 501-501	Federal Grant Match	Federal	Resident Program	Offender Personal Funds	
Cash Receipts:						
Intergovernmental	\$ 2,891,637	\$ 25,774	\$ 145,426	\$ -	\$ -	\$ 3,062,837
Receipts for offenders	-	-	-	-	163,942	163,942
Collections from offenders	-	-	-	21,794	-	21,794
Commissions	-	-	-	59,418	-	59,418
Reimbursement	2,236	-	-	31,408	-	33,644
Total Cash Receipts	2,893,873	25,774	145,426	112,620	163,942	3,341,635
Cash Disbursements:						
Personnel	2,147,283	-	-	-	-	2,147,283
Operating costs	677,777	-	-	-	-	677,777
Program costs	34,662	34,081	137,895	111,503	-	318,141
Equipment	17,544	-	-	-	-	17,544
Offender Disbursements:						
Offender legal obligations	-	-	-	-	3,222	3,222
Offender reimbursements	-	-	-	-	60,432	60,432
Offender payments to CBCF	-	-	-	-	3,528	3,528
Offender savings paid at exit	-	-	-	-	99,245	99,245
Total Cash Disbursements	2,877,266	34,081	137,895	111,503	166,427	3,327,172
Total Receipts Over/(Under) Disbursements	16,607	(8,307)	7,531	1,117	(2,485)	14,463
Fund Cash Balances, July 1, 2008	95,244	20,640	29,396	6,606	3,767	155,653
Fund Cash Balances, June 30, 2009	\$ 111,851	\$ 12,333	\$ 36,927	\$ 7,723	\$ 1,282	\$ 170,116
Unpaid Obligations/Open Purchase Orders	\$ 48,542		\$ 6,980			\$ 55,522

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Eastern Ohio Correction Center (the Center) provides an alternative to prison incarceration for felony offenders. The Center is the last step in the continuum of increasing punishment before prison incarceration. The Center is a minimum security operation housing approximately 77 male offenders at its Center in Wintersville and approximately 28 female offenders at its Center in Lisbon. A Facilities Governing Board oversees the Center's operations. The Board includes at least one common pleas court judge from each county the Center serves. The Center serves the following counties:

Belmond County	Carroll County	Columbiana County
Guernsey County	Harrison County	Jefferson County
Monroe County	Noble 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 Jefferson 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.

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.

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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

Offender Funds

Resident Program Fund: Effective October 10, 2006, HB162 established the Resident Program Fund. Upon approval of the Center 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 Center 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 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.

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 Jefferson 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.)

A summary of 2010 and 2009 budgetary activity appears in Note 2.

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 ODR 501-501 funding for the years ending June 30, 2010 and 2009 follows:

<u>2010 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
<u>Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
\$3,012,137	\$3,004,193	\$7,944

<u>2009 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
<u>Budget</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
\$2,891,637	\$2,879,248	\$12,389

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 \$250,000 for Offender Funds. The Federal Reserve holds the Center's U.S. Treasury Notes in book-entry form, in the name of the Center's financial institution. The financial institution maintains records identifying the Center as owner of these securities. Investments in STAR Ohio and mutual funds are not evidenced by securities existing in physical or book-entry form.

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(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		
	2009	2008
Cash, July 1	\$95,244	\$122,596
Disbursements Against Prior Year Budget Payable to ODRC, July 1	(\$56,078)	(\$89,262)
Sub-Total	\$39,166	\$33,334
501 Cash Receipts	2,891,637	2,939,637
Budgetary Basis Disbursements	(2,877,266)	(2,967,688)
Amount Subject to Refund, June 30	\$53,537	5,283
One-Twelfth of 501 Award	\$240,970	\$244,970
Refundable to ODRC	\$294,507	\$250,253

5. RETIREMENT SYSTEMS

The Center's employees belong to the Ohio Public Employees Retirement System (OPERS). Certified teachers belong to the State Teachers Retirement System (STRS). OPERS and STRS are 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. For 2010 and 2009, STRS members contributed 10 percent of their gross salaries to STRS. The Center contributed an amount equal to 14 percent of participants' gross salaries to STRS. The Center has paid all contributions required through June 30, 2010.

6. RISK MANAGEMENT

The County Risk Sharing Authority, Inc. (CORSA) is a public entity shared risk pool among forty-one counties in Ohio. CORSA was formed as an Ohio non-profit corporation for the purpose of establishing the CORSA Insurance/Self Insurance Program, a primary group and excess insurance/self insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverage's include comprehensive general liability, automobile liability, certain property insurance and public officials' error and omissions liability insurance.

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

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

6. RISK MANAGEMENT - (Continued)

Each member, one from each member county, has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member County's control over budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member Counties' obligation to make coverage payments to CORSA. The participating counties have no responsibility for the payment of certificates. The County does not have an equity interest or a financial responsibility.

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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*

Eastern Ohio Correction Center
Jefferson County
P.O. Box 2400
Wintersville, Ohio 43952

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

We have audited the financial statements of the Eastern Ohio Correction Center, (the Center) as of and for the years ended June 30, 2010 and 2009 and have issued our report thereon dated September 10, 2010, wherein we noted the Center prepared its financial statements using accounting practices the Auditor of State 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 certain matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated September 10, 2010.

We intend this report solely for the information and use of management, the Judicial Advisory and the Center Governing Board and others within the Center. 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

September 10, 2010



Mary Taylor, CPA
Auditor of State

EASTERN OHIO CORRECTION CENTER

JEFFERSON 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
NOVEMBER 4, 2010**