



Dave Yost • Auditor of State

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Funds - For the Year Ended June 30, 2010.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Funds - For the Year Ended June 30, 2009.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11

This page intentionally left blank.



Dave Yost • Auditor of State

SEPTA Correctional Facility
Athens County
7 West Twenty-Nine Drive
Nelsonville, Ohio 45764

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

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

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

Dave Yost
Auditor of State

January 24, 2011

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

SEPTA Correctional Facility
Athens County
7 West Twenty-Nine Drive
Nelsonville, Ohio 45764

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

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

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

As described more fully in Note 1, the Facility 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Facility's larger (i.e., major) funds separately. While the Facility does not follow GAAP, generally accepted auditing standards requires entities 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 Facility 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 Facility 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 of the SEPTA Correctional Facility, Athens County, Ohio, 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 Facility 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 January 24, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 24, 2011

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
SEPTA CORRECTIONAL FACILITY**

**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			Section 125 Benefit Plan	Totals
	ODRC 501-501	Capital Renovation	Federal	Resident Program Funds	Resident Trust Funds	Commissary		
Cash Receipts:								
Intergovernmental	\$ 2,655,928	\$ 62,476	\$ 33,750					\$ 2,752,154
Receipts for offenders					\$ 255,496			255,496
Collections from offenders				\$ 9,319		\$ 48,439		57,758
Commissions	1,649			15,834				17,483
Reimbursement	5,748							5,748
Miscellaneous Revenue				20,494				20,494
Payroll Deductions							\$ 6,890	6,890
Total Cash Receipts	2,663,325	62,476	33,750	45,647	255,496	48,439	6,890	3,116,023
Cash Disbursements:								
Personnel	1,403,958		32,887					1,436,845
Operating costs	476,655		5,066	3,803		48,597		534,121
Program costs	352,819			3,993				356,812
Equipment	71,821		6,950	18,102				96,873
Reimbursements to employees							6,631	6,631
Bank Charges							19	19
Offender Disbursements:								-
Offender legal obligations					42,443			42,443
Offender reimbursements					6,606			6,606
Offender payments to CBCF					79,999			79,999
Offender Miscellaneous Payments					73,157			73,157
Offender savings paid at exit					31,710			31,710
Renovation Expenditure		86,174						86,174
Total Cash Disbursements	2,305,253	86,174	44,903	25,898	233,915	48,597	6,650	2,751,390
Disbursements from prior FY (Including refund to ODRC)	111,061		1,319					112,380
Total Receipts Over/(Under) Disbursements	247,011	(23,698)	(12,472)	19,749	21,581	(158)	240	\$252,253
Fund Cash Balances, July 1, 2009	331,018	0	(7,979)	14,305	105,567	9,699	3,545	456,155
Fund Cash Balances, June 30, 2010	\$ 578,029	\$ (23,698)	\$ (20,451)	\$ 34,054	\$ 127,148	\$ 9,541	\$ 3,785	\$ 708,408

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
SEPTA CORRECTIONAL FACILITY**

**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			Section 125 Benefit Plan	Totals
	ODRC 501-501	Federal	Resident Program Funds	Resident Trust Funds	Commissary		
Cash Receipts:							
Intergovernmental	\$ 1,955,928	\$ 46,118					\$ 2,002,046
Receipts for offenders				\$ 209,218			209,218
Collections from offenders			\$ 8,806		\$ 41,613		50,419
Commissions	1,367		15,330				16,697
Reimbursement	9,452						9,452
Miscellaneous Revenue		1,560	448				2,008
Payroll Deductions						\$ 5,375	5,375
Total Cash Receipts	1,966,747	47,678	24,584	209,218	41,613	5,375	2,295,215
Cash Disbursements:							
Personnel	1,165,924	28,062	1,561				1,195,547
Operating costs	374,960	7,731	1,862		40,342		424,895
Program costs	250,039		3,563				253,602
Equipment	3,781		27,778				31,559
Reimbursements to employees						3,971	3,971
Bank Charges						19	19
Offender Disbursements:							
Offender legal obligations				26,416			26,416
Offender reimbursements				4,908			4,908
Offender payments to CBCF				45,175			45,175
Offender Miscellaneous Payments				76,143			76,143
Offender savings paid at exit				35,178			35,178
Total Cash Disbursements	1,794,704	35,793	34,764	187,820	40,342	3,990	2,097,413
Disbursements from prior FY (Including refund to ODRC)	72,307						72,307
Total Receipts Over/(Under) Disbursements	99,736	11,885	(10,180)	21,398	1,271	1,385	125,495
Fund Cash Balances, July 1, 2008 (See Note 2)	231,282	(19,864)	24,485	84,169	8,428	2,160	330,660
Fund Cash Balances, June 30, 2009	\$ 331,018	\$ (7,979)	\$ 14,305	\$ 105,567	\$ 9,699	\$ 3,545	\$ 456,155

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The SEPTA Correctional Facility, Athens County (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 101 offenders as of June 30, 2010. A Facilities Governing Board oversees the Facility's operations. Common pleas judges from the Counties the Facility serves comprise a Judicial Advisory Board. The Judicial Advisory Board appoints two-thirds of the members of the Facility Governing Board and advises the Facilities Governing Board regarding Facility matters. The Board includes at least one common pleas court judge from each county the Facility serves. The Facility serves the following counties:

Athens	Hocking	Meigs
Morgan	Perry	Vinton
Washington		

For the years ended June 30, 2010 and 2009, the financial statements present all funds related to the Facility.

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 Facility 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. Cash and Investments

Hocking College, Athens County, Ohio, is the custodian of the Facility's grant funds and State appropriations. The College holds these Facility assets in the College's deposit and investment pool, valued at the College's reported carrying amount. The Facility holds offenders' cash in demand deposit accounts.

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.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Federal: Reports amounts received from the Federal government, including amounts passed through ODRC. The Facility receives ABLE and Title 1 funding for contracting instructors and specialists to aid in the rehabilitation of others.

Capital Renovation: 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: These funds reported receipts from commissions on telephone systems, transportation costs, reimbursable costs such as per diem and medical services, and similar services.

Resident Trust Fund: 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.

Commissary Fund: Reports amounts charged to non-indigent offenders' personal funds for use of the commissary, per Ohio Rev. Code Section 2301.58.

Other Funds

Section 125 Benefit Plan Fund: Reports receipts and disbursements related to employee withholdings and submittals for reimbursement for a Section 125 health care program. Pre-tax dollars are withheld and deposited in the fund. Eligible health care expenses are approved by AFLAC and authorized for disbursement. The Facility issues payment for approved expenses.

E. Budgetary Process

1. 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.

2. Encumbrances

Disbursements from State appropriations and Grants are subject to Hocking College's payment approval process. The Vice-President of Fiscal Operations at the College must approve (i.e., certify and encumber) certain payments when the Facility 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 5.)

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Facility records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying 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. The financial statements do not include a liability for unpaid leave.

2. RESTATEMENT OF FUND BALANCE

Prior year audit adjustments were not made properly reflecting an incorrect audited ending fund balance in the Resident Trust Funds as follows:

	Fund Balance at June 30, 2008	Restatement Amount	Fund Balance at July 1, 2008
Resident Trust Funds	\$ 88,890	\$ (4,721)	\$ 84,169

3. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2010 and 2009 follows:

2010 Budgeted vs. Actual Budgetary Basis Expenditures		
	Budgetary	
Budget	Expenditures	Variance
\$ 2,655,928	\$ 2,581,291	\$ 74,637

2009 Budgeted vs. Actual Budgetary Basis Expenditures		
	Budgetary	
Budget	Expenditures	Variance
\$ 1,955,928	\$ 1,896,496	\$ 59,432

4. COLLATERAL ON DEPOSITS AND INVESTMENTS

Grants and State Appropriations

Hocking College is responsible for collateralizing deposits and investments for grants and State appropriations the College holds as custodian for the Facility.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

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

4. COLLATERAL ON DEPOSITS AND INVESTMENTS (Continued)

OFFENDER FUNDS

Deposits

The Facility has Federal Deposit Insurance Corporation coverage of \$250,000 for Offender Funds. Amounts in excess of that are collateralized by the financial institution's public entity deposit pool.

5. REFUND TO ODRC

The agreement between the Counties 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. 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.

Refund to ODRC		
	2010	2009
Cash, July 1	\$ 331,018	\$ 231,282
Disbursements Against Prior Year Budget	(111,061)	(72,307)
Payable to ODRC, July 1	(56,964)	0
Sub-Total	\$ 162,993	\$ 158,975
501 Cash Receipts	2,655,928	1,955,928
Budgetary Basis Disbursements	(2,572,946)	(1,894,945)
Amount Subject to Refund, June 30	\$ 245,975	\$ 219,958
One-Twelfth of 501 Award	(221,327)	(162,994)
Refundable to ODRC	\$ 24,648	\$ 56,964

6. RETIREMENT SYSTEM

The Facility's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Facility contributed an amount equaling 14% of participants' gross salaries. The Facility has paid all contributions required through June 30, 2010.

7. RISK MANAGEMENT

Commercial Insurance

The Facility has obtained commercial insurance for the following risks:

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



Dave Yost • Auditor of State

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

SEPTA Correctional Facility
Athens County
7 West Twenty-Nine Drive
Nelsonville, Ohio 45764

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

We have audited the financial statements of the SEPTA Correctional Facility, Athens County, Ohio (the Facility), as of and for the years ended June 30, 2010 and 2009 and have issued our report thereon dated January 24, 2011, wherein we noted the Facility followed accounting practices the Ohio Department of Rehabilitations and Corrections prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Facility's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Facility's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Facility'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 significant deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Facility'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.

SEPTA Correctional Facility

Athens County

Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

Page 2

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, 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 Facility's management in a separate letter dated January 24, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

January 24, 2011



Dave Yost • Auditor of State

SEPTA CORRECTIONAL FACILITY

ATHENS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2011**