



Dave Yost • Auditor of State

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

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Dave Yost • Auditor of State

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

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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

April 17, 2013

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Eastern Ohio Correction Center
Jefferson County
P.O. Box 2400
Wintersville, 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, 2012 and 2011. 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 Correction 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 Ohio Department of Rehabilitation and Corrections permits. 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, 2012 and 2011 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, 2012 and 2011, 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 fund cash balances and unpaid obligations as of June 30, 2012 and 2011 and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2013, 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

April 17, 2013

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2012**

	State Appropriations and Grants				Offender Funds		Totals
	ODRC 501-501	Federal Grant Match	Federal	Capital CAP 003	RCA Resident Program	Offender Personal Funds	
Cash Receipts:							
Intergovernmental	\$2,869,637	\$33,428	\$32,956	\$4,477			\$2,940,498
Receipts for offenders						\$146,441	146,441
Collections from offenders					\$42,828		42,828
Commissions					26,655		26,655
Reimbursement	620				29,438	71	30,129
Miscellaneous Receipts					7,829		7,829
Donations					2,000		2,000
Total Cash Receipts	2,870,257	33,428	32,956	4,477	108,750	146,512	3,196,380
Cash Disbursements:							
Personnel	2,173,384						2,173,384
Operating costs	571,564				8,948		580,512
Program costs	90,090	48,842	32,711	7,347	97,142		276,132
Equipment	2,980				5,888		8,868
Offender Disbursements:							
Offender legal obligations						1,575	1,575
Offender reimbursements						57,807	57,807
Offender payments to CBCF						68,430	68,430
Offender savings paid at exit						20,792	20,792
Total Cash Disbursements	2,838,018	48,842	32,711	7,347	111,978	148,604	3,187,500
Disbursements from prior FY (Including refund to ODRC)	102,839						102,839
Total Receipts Over/(Under) Disbursements	(70,600)	(15,414)	245	(2,870)	(3,228)	(2,092)	(93,959)
Fund Cash Balances, July 1, 2011	171,669	18,999	38,408	3,037	10,185	6,333	248,631
Fund Cash Balances, June 30, 2012	\$101,069	\$3,585	\$38,653	\$167	\$6,957	\$4,241	\$154,672
Unpaid Obligations/Open Purchase Orders	\$30,978						

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

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2011**

	State Appropriations and Grants				Offender Funds		Totals
	ODRC 501-501	Federal Grant Match	Federal	Capital CAP 003	RCA Resident Program	Offender Personal Funds	
Cash Receipts:							
Intergovernmental	\$2,914,937	\$74,272	\$76,484	\$23,183			\$3,088,876
Receipts for offenders						\$138,063	138,063
Collections from offenders					\$48,471		48,471
Commissions					27,576		27,576
Miscellaneous Receipts					5,490		5,490
Donations					6,638		6,638
Reimbursements	769				1,737	211	2,717
Total Cash Receipts	<u>2,915,706</u>	<u>74,272</u>	<u>76,484</u>	<u>23,183</u>	<u>89,912</u>	<u>138,274</u>	<u>3,317,831</u>
Cash Disbursements:							
Personnel	2,146,609						2,146,609
Operating costs	562,316				14,950		577,266
Program costs	103,266	61,706	72,156		73,187		310,315
Equipment	8,450				10,354		18,804
Capital project				28,283			28,283
Offender Disbursements:							
Offender legal obligations						5,385	5,385
Offender reimbursements						56,945	56,945
Offender payments to CBCF						62,727	62,727
Offender savings paid at exit						13,476	13,476
Total Cash Disbursements	<u>2,820,641</u>	<u>61,706</u>	<u>72,156</u>	<u>28,283</u>	<u>98,491</u>	<u>138,533</u>	<u>3,219,810</u>
Disbursements from prior FY (Including refund to ODRC)	<u>129,696</u>						<u>129,696</u>
Total Receipts Over/(Under) Disbursements	<u>(34,631)</u>	<u>12,566</u>	<u>4,328</u>	<u>(5,100)</u>	<u>(8,579)</u>	<u>(259)</u>	<u>(31,675)</u>
Fund Cash Balances, July 1, 2010	<u>206,300</u>	<u>6,433</u>	<u>34,080</u>	<u>8,137</u>	<u>18,764</u>	<u>6,592</u>	<u>280,306</u>
Fund Cash Balances, June 30, 2011	<u>\$171,669</u>	<u>\$18,999</u>	<u>\$38,408</u>	<u>\$3,037</u>	<u>\$10,185</u>	<u>\$6,333</u>	<u>\$248,631</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 109,245</u>						

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

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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 76 male offenders at its facility in Wintersville and 25 female offenders at its facility in Lisbon. A Facilities Governing Board oversees the Center's operations. Common pleas judges from the Counties the Center serves comprise a Judicial Advisory Board. The Judicial Advisory Board appoints two-thirds of the members of the Center Governing Board and advises the Facilities Governing Board regarding Center matters. The Board includes at least one common pleas court judge from each county the Center serves. The Center serves the following counties:

Belmont County	Carroll County	Columbiana County
Guernsey County	Harrison County	Jefferson County
Monroe County	Noble County	

For the year ended June 30, 2012, 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 and Investments

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, 2012 AND 2011
(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. Centers 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 2012 and 2011 budgetary activity appears in Note 2.

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(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 ODRC 501-501 funding for the years ending June 30, 2012 and 2011 follows:

2012 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$2,869,637	\$2,868,996	\$641

2011 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$2,914,937	\$2,929,886	(\$14,949)

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.

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.

**EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

4. REFUND TO ODRC – (Continued)

Refund to ODRC		
	2011	2010
Cash, July 1	\$77,373	\$73,491
Disbursements Against Prior Year Budget Payable to ODRC, July 1		
Sub-Total	77,373	73,491
501 Cash Receipts	2,914,937	3,012,137
Budgetary Basis Disbursements	(2,922,859)	(3,008,255)
Amount Subject to Refund, June 30	69,451	77,373
One-Twelfth of 501 Award	\$242,911	\$251,011
Refundable to ODRC	\$242,911	\$251,011

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 2012 and 2011, OPERS members contributed 10 percent of their gross salaries and the Center contributed an amount equaling 14 percent of participants' gross salaries. For 2012 and 2011, 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, 2012.

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 coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' error and omissions liability insurance.

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's 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.



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

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

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

We have audited the financial statements of Eastern Ohio Correction Center, Jefferson County (the Center) as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated April 17, 2013 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 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 matter 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 April 17, 2013.

We intend this report solely for the information and use of management, members of the Board and others within the Center. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

April 17, 2013



Dave Yost • Auditor of State

EAST 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
MAY 28, 2013**