



Mary Taylor, CPA
Auditor of State

SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY

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Mary Taylor, CPA

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 20, 2009

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Mary Taylor, CPA

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, 2008 and 2007. 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.

While the Facility 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 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, 2008 and 2007 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, 2008 and 2007, 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, 2008 and 2007, 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 July 20, 2009, 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 20, 2009

**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, 2008**

	<u>State Appropriations and Grants</u>		<u>Offender Funds</u>				Totals
	ODRC 501-501	Federal	Resident Program Funds	Resident Trust Funds	Commissary	Section 125 Benefit Plan	
Cash Receipts:							
Intergovernmental	\$ 1,913,928	\$ 54,559		\$ 264,419			\$ 1,968,487
Receipts for offenders							264,419
Collections from offenders			12,052		40,310		52,362
Commissions	1,651		11,169				12,820
Reimbursement	43,707						43,707
Miscellaneous Revenue			1,875				1,875
Payroll Deductions						6,679	6,679
Total Cash Receipts	1,959,286	54,559	25,096	264,419	40,310	6,679	2,350,349
Cash Disbursements:							
Personnel	1,221,796	42,829	1,500				1,266,125
Operating costs	443,156	11,960	929		38,168		494,213
Program costs	218,550	1,859	3,580				223,989
Equipment			7,735				7,735
Reimbursements to employees						6,864	6,864
Bank Charges						35	35
Offender Disbursements:							
Offender legal obligations				48,971			48,971
Offender reimbursements				48,692			48,692
Offender payments to CBCF				43,801			43,801
Offender Miscellaneous Payments				38,900			38,900
Offender savings paid at exit				51,088			51,088
Total Cash Disbursements	1,883,502	56,648	13,744	231,452	38,168	6,899	2,230,413
Total Cash Receipts Over/(Under) Cash Disbursements	75,784	(2,089)	11,352	32,967	2,142	(220)	119,936
Fund Cash Balances, July 1, 2007	155,498	(17,775)	13,133	55,923	6,286	2,380	215,445
Fund Cash Balances, June 30, 2008	<u>\$ 231,282</u>	<u>\$ (19,864)</u>	<u>\$ 24,485</u>	<u>\$ 88,890</u>	<u>\$ 8,428</u>	<u>\$ 2,160</u>	<u>\$ 335,381</u>

**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, 2007**

	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	\$ 2,057,118	\$ 22,282	\$	\$	\$	\$	\$ 2,079,400
Receipts for offenders				284,003			284,003
Collections from offenders			11,879		36,967		48,846
Commissions	1,338		8,627				9,965
Reimbursement	27,501	595	151				28,247
Miscellaneous Revenue			399				399
Payroll Deductions						4,808	4,808
Total Cash Receipts	2,085,957	22,877	21,056	284,003	36,967	4,808	2,455,668
Cash Disbursements:							
Personnel	1,376,860	19,977					1,396,837
Operating costs	427,988	10,495	4,285		35,064		477,832
Program costs	280,575		4,106				284,681
Equipment		2,041	20,380				22,421
Reimbursements to employees						3,847	3,847
Bank Charges						31	31
Offender Disbursements:							
Offender legal obligations				35,187			35,187
Offender reimbursements				38,946			38,946
Offender payments to CBCF				36,929			36,929
Offender Miscellaneous Payments				72,519			72,519
Offender savings paid at exit				49,176			49,176
Total Cash Disbursements	2,085,423	32,513	28,771	232,757	35,064	3,878	2,418,406
Disbursements from prior FY (Including refund to ODRC)			79				79
Total Cash Receipts Over/(Under) Cash Disbursements	534	(9,636)	(7,794)	51,246	1,903	930	37,183
Fund Cash Balances, July 1, 2006	154,964	(8,139)	20,927	4,677	4,383	1,450	178,262
Fund Cash Balances, June 30, 2007	\$ 155,498	\$ (17,775)	\$ 13,133	\$ 55,923	\$ 6,286	\$ 2,380	\$ 215,445

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

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 64 offenders as of June 30, 2008. 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, 2008 and 2007, 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 Technical 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, 2008 AND 2007
(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 to contracting instructors and specialists to aid in the rehabilitation of others.

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 Technical 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 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 2008 and 2007 budgetary activity appears in Note 2.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2008 and 2007 follows:

2008 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$ 1,913,928	\$ 1,910,451	\$ 3,477

2007 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$ 2,057,118	\$ 2,056,584	\$ 534

3. COLLATERAL ON DEPOSITS AND INVESTMENTS

Grants and State Appropriations

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

OFFENDER FUNDS

Deposits

The Facility has Federal Deposit Insurance Corporation coverage of \$100,000 for Offender Funds. Amounts in excess of that are collateralized by the financial institution's public entity deposit pool.

4. 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.

**SEPTA CORRECTIONAL FACILITY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(Continued)**

4. REFUND TO ODRC (Continued)

Refund to ODRC		
	2008	2007
Cash, July 1	\$ 155,498	\$ 154,964
Disbursements Against Prior Year Budget	0	0
Payable to ODRC, July 1	0	0
Sub-Total	\$ 155,498	\$ 154,964
501 Cash Receipts	1,913,928	2,057,118
Budgetary Basis Disbursements	(1,910,451)	(2,056,584)
Amount Subject to Refund, June 30	\$ 158,975	\$ 155,498
One-Twelfth of 501 Award	(159,494)	(171,426)
Refundable to ODRC	\$ (519)	\$ (15,928)

5. 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 plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Facility contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Facility has paid all contributions required through June 30, 2008.

6. RISK MANAGEMENT

Commercial Insurance

The Facility has obtained commercial insurance for the following risks:

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



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

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, 2008 and 2007 and have issued our report thereon dated July 20, 2009, 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Facility's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Facility's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Facility's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the Facility's management in a separate letter dated July 20, 2009.

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 also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Facility's management in a separate letter dated July 20, 2009.

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

July 20, 2009



Mary Taylor, CPA
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
AUGUST 20, 2009**