



Mary Taylor, CPA
Auditor of State

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM
TRUMBULL COUNTY**

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Mary Taylor, CPA

Auditor of State

NorthEast Ohio Community Alternative Program
Trumbull County
411 Pine Avenue S.E.
Warren, Ohio 44483

To the Judicial Corrections 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.

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Mary Taylor, CPA
Auditor of State

March 15, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

NorthEast Ohio Community Alternative Program
Trumbull County
411 Pine Avenue S. E.
Warren, Ohio 44483

To the Judicial Corrections Board:

We have audited the accompanying financial statements of NorthEast Ohio Community Alternative Program (the Facility) as of and for the years ended June 30, 2006 and 2005. 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Facility has prepared these 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 Facility 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 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. Since the Facility 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 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 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 Facility as of June 30, 2006 and 2005, 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 of the NorthEast Ohio Community Alternative Program 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.

The aforementioned revision to generally accepted accounting principles also requires the Facility to include Management's Discussion and Analysis for the year ended June 30, 2006 and 2005. 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 March 15, 2007, 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. 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

March 15, 2007

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM
TRUMBULL COUNTY**

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

	State Appropriations and Grants		Offender Funds			Totals
	ODRC 501-501	Federal	Offender Personal Funds	Vending & Telephone Commissions	Other/ Miscellaneous	
Cash Receipts:						
Intergovernmental	\$3,288,160	\$93,451				\$3,381,611
Collections from Offenders			\$125,929			125,929
Commissions				\$41,624		41,624
Reimbursements			270	1,161	\$2,204	3,635
Transfer In/Out			2,711	(1,845)	(866)	0
Total Cash Receipts	3,288,160	93,451	128,910	40,940	1,338	3,552,799
Cash Disbursements:						
Personnel	2,632,980					2,632,980
Operating costs	496,693	471		10,631	1,265	509,060
Program costs	115,185	92,980		8,293		216,458
Equipment	35,993			25,489	95	61,577
Offender Disbursements:						
Offender legal obligations			21,689			21,689
Offender personal costs			50,465			50,465
Offender savings paid at exit			58,514			58,514
Total Cash Disbursements	3,280,851	93,451	130,668	44,413	1,360	3,550,743
Total Receipts Over/(Under) Disbursements	7,309	0	(1,758)	(3,473)	(22)	2,056
Fund Cash Balances, July 1, 2005	197,136	0	8,529	24,723	22	230,410
Fund Cash Balances, June 30, 2006	\$204,445	\$0	\$6,771	\$21,250	\$0	\$232,466

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

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM
TRUMBULL 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>
	ODRC	Federal	Federal	Offender	Vending &	Other/	
	501-501	Grant		Personal	Telephone	Miscellaneous	
	Match		Fund	Commissions			
Cash Receipts:							
Intergovernmental	\$3,252,160		\$194,171				\$3,446,331
Collections from Offenders				\$162,024			162,024
Commissions					\$33,440		33,440
Reimbursements					1,608		1,608
Transfer In/(Out)	(47,375)	\$47,375		294	(294)		0
Total Cash Receipts	3,204,785	47,375	194,171	162,318	34,754	0	3,643,403
Cash Disbursements:							
Personnel	2,512,025	24,210	72,629				2,608,864
Operating costs	546,071	378	1,134		13,690	\$3,487	564,760
Program costs	105,609	22,787	68,361		1,572		198,329
Equipment	30,827				6,203		37,030
Offender Disbursements:							
Offender legal obligations				27,912			27,912
Offender personal costs				54,305			54,305
Offender reimbursements				1,602			1,602
Offender savings paid at exit				75,923			75,923
Total Cash Disbursements	3,194,532	47,375	142,124	159,742	21,465	3,487	3,568,725
Total Receipts Over/(Under) Disbursements	10,253	0	52,047	2,576	13,289	(3,487)	74,678
Fund Cash Balances, July 1, 2004	186,883	0	(52,047)	5,953	11,434	3,509	155,732
Fund Cash Balances, June 30, 2005	\$197,136	\$0	\$0	\$8,529	\$24,723	\$22	\$230,410

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

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM
TRUMBULL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The NorthEast Ohio Community Alternative Program, Trumbull County, Ohio (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 120 offenders. The Judicial Corrections Board administers the Facility. The Board includes at least one common pleas court judge from each county the Facility serves. The Facility serves the following counties:

Ashtabula County	Portage County
Geauga County	Trumbull County
Lake County	

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

C. Cash

The Trumbull County Treasurer is the custodian of the Facility's grant funds and State appropriations. The County holds these Facility assets in the County's cash and investment pool, valued at the County Treasurer'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.

Federal Grant Match: Reports amounts received to meet any Federal program matching fund requirements.

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM
TRUMBULL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal: Reports amounts received from the Federal government, including amounts passed through ODRC. The Facility received RSAT funding for contracting instructors and specialists to aid in the rehabilitation of offenders.

Offender Funds

Offender Personal Funds: Are 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.

Vending & Telephone Commissions Fund: This fund receives vending and telephone commissions.

Other/Miscellaneous Fund: This fund receives FEMA funding and any other miscellaneous receipts not accounted for in another fund.

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 the payment approval process of Trumbull County. The County Auditor 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 budgeted for commitments 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.

F. Property, Plant and Equipment

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

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM
TRUMBULL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
\$3,288,160	\$3,280,851	\$7,309

2005 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,252,160	\$3,241,907	\$10,253

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 Facility.

Offender Funds

Deposits

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

4. REFUND TO ODRC

The agreement between the County 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, if any, for the years ending June 30, 2006 and 2005. 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.

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM
TRUMBULL COUNTY**

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

4. REFUND TO ODRC (Continued)

The Facility was not obligated to pay refunded amounts in the fiscal years according to computations below.

Refund to ODRC		
	2006	2005
Cash, July 1	\$197,136	\$186,883
501 Cash Receipts	3,288,160	3,252,160
Disbursements	(3,280,851)	(3,241,907)
Subject to Refund, June 30	204,445	197,136
One-Twelfth of 501 Award	(274,013)	(271,013)
Refundable to ODRC	\$0	\$0

5. RETIREMENT SYSTEMS

The Facility's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, OPERS members contributed 8.5 percent of their gross salaries to OPERS. The Facility contributed an amount equal to 13.55 percent of participants' gross salaries. The Facility has paid all contributions required through June 30, 2006.

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*

NorthEast Ohio Community Alternative Program
Trumbull County
411 Pine Avenue S.E.
Warren, Ohio 44483

To the Judicial Corrections Board:

We have audited the financial statements of the NorthEast Ohio Community Alternative Program, (the Facility) as of and for the years ended June 30, 2006 and June 30, 2005, and have issued our report thereon dated March 15, 2007 wherein we noted the Facility followed accounting practices the Ohio Department of Rehabilitation 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 *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 Facility'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 Facility's management dated March 15, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*. In a separate letter to the Facility's management dated March 15, 2007, we reported a matter related to noncompliance we deemed immaterial.

NorthEast Ohio Community Alternative Program
Trumbull County
Independents 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 the management, the Judicial Corrections Board, and the Ohio Department of Rehabilitation and Corrections. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 15, 2007



Mary Taylor, CPA
Auditor of State

NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM

TRUMBULL 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 24, 2007**