



**Auditor of State  
Betty Montgomery**



SEPTA CORRECTIONAL FACILITY  
ATHENS COUNTY

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**Auditor of State  
Betty Montgomery**

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

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.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

November 1, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Judicial Corrections 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, 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 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. 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 effective for the years ended June 30, 2006 and 2005. Instead of the individual funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to aggregate its smaller (i.e., nonmajor) funds for 2006 and 2005. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Facility has elected not to reformat its statements. 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 Auditor of State 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 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 their 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 SEPTA Correctional Facility, Athens County, Ohio, as of June 30, 2006 and 2005, and the related cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Facility to include Management's Discussion and Analysis for the years 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 November 1, 2006, 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.



**Betty Montgomery**  
Auditor of State

November 1, 2006



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

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

	State Appropriations and Grants		Offender Funds			Section 125 Benefit Plan	Totals
	ODRC 501-501	Federal	Resident Program Funds	Resident Trust Funds	Commissary		
<b>Cash Receipts:</b>							
Intergovernmental	\$ 1,950,928	\$ 34,632					\$ 1,985,560
Receipts for offenders				\$ 265,855			265,855
Collections from offenders			\$ 12,104		\$ 35,094		47,198
Commissions	854		13,552				14,406
Reimbursement	90,625		475				91,100
Miscellaneous Revenue			114				114
Payroll Deductions						\$ 4,918	4,918
<b>Total Cash Receipts</b>	<b>2,042,407</b>	<b>34,632</b>	<b>26,245</b>	<b>265,855</b>	<b>35,094</b>	<b>4,918</b>	<b>2,409,151</b>
<b>Cash Disbursements:</b>							
Personnel	1,397,492	33,370	440				1,431,302
Operating costs	409,199	3,802	40,597		35,242		488,840
Program costs	228,680		3,725				232,405
Equipment	7,000	6,528	256				13,784
Reimbursements to Employees						4,438	4,438
Bank Charges						36	36
Offender Disbursements:							
Offender legal obligations				36,532			36,532
Offender reimbursements				84,251			84,251
Offender payments to CBCF				35,065			35,065
Offender Miscellaneous Payments				70,982			70,982
Offender savings paid at exit				53,253			53,253
<b>Total Cash Disbursements</b>	<b>2,042,371</b>	<b>43,700</b>	<b>45,018</b>	<b>280,083</b>	<b>35,242</b>	<b>4,474</b>	<b>2,450,888</b>
Disbursements from prior FY (Including refund to ODRC)	0	15,977	0	0	0	0	15,977
<b>Total Receipts Over/(Under) Disbursements</b>	<b>36</b>	<b>(25,045)</b>	<b>(18,773)</b>	<b>(14,228)</b>	<b>(148)</b>	<b>444</b>	<b>(57,714)</b>
Fund Cash Balances, July 1, 2005	154,928	16,906	39,700	18,905	4,531	1,006	235,976
<b>Fund Cash Balances, June 30, 2006</b>	<b>\$ 154,964</b>	<b>\$ (8,139)</b>	<b>\$ 20,927</b>	<b>\$ 4,677</b>	<b>\$ 4,383</b>	<b>\$ 1,450</b>	<b>\$ 178,262</b>

The notes to this statement are an integral part of this statement.

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

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
FOR THE PERIOD ENDED JUNE 30, 2005**

	State Appropriations and Grants		Offender Funds			Section 125 Benefit Plan	Totals
	ODRC 501-501	Federal	Resident Program Funds	Resident Trust Funds	Commissary		
<b>Cash Receipts:</b>							
Intergovernmental	\$ 1,895,928	\$ 81,015					\$ 1,976,943
Receipts for offenders				\$ 269,878			269,878
Collections from offenders			\$ 11,694		\$ 34,373		46,067
Commissions	1,860		15,813				17,673
Interest			564				564
Reimbursement	166,106		2,373				168,479
Miscellaneous Revenue			1,300				1,300
Payroll Deductions						\$ 3,878	3,878
Transfer In/Out			10,000		(10,000)		0
<b>Total Cash Receipts</b>	<b>2,063,894</b>	<b>81,015</b>	<b>41,744</b>	<b>269,878</b>	<b>24,373</b>	<b>3,878</b>	<b>2,484,782</b>
<b>Cash Disbursements:</b>							
Personnel	1,439,381	35,403					1,474,784
Operating costs	393,377	6,594	56,063		33,089		489,123
Program costs	233,641	2,029	7,986				243,656
Equipment		44,597					44,597
Reimbursements to Employees						3,739	3,739
Bank Charges						44	44
Offender Disbursements:							
Offender legal obligations				34,405			34,405
Offender reimbursements				95,458			95,458
Offender payments to CBCF				34,336			34,336
Offender Miscellaneous Payments				88,973			88,973
Offender Recreational Costs							
Offender savings paid at exit				48,913			48,913
<b>Total Cash Disbursements</b>	<b>2,066,399</b>	<b>88,623</b>	<b>64,049</b>	<b>302,085</b>	<b>33,089</b>	<b>3,783</b>	<b>2,558,028</b>
Disbursements from prior FY (Including refund to ODRC)	49,448	16,021	0	0	0	0	65,469
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(51,953)</b>	<b>(23,629)</b>	<b>(22,305)</b>	<b>(32,207)</b>	<b>(8,716)</b>	<b>95</b>	<b>(138,715)</b>
Fund Cash Balances, July 1, 2004, as Restated (see Note 8)	206,881	40,535	62,004	51,113	13,247	911	374,691
<b>Fund Cash Balances, June 30, 2005</b>	<b>\$ 154,928</b>	<b>\$ 16,906</b>	<b>\$ 39,699</b>	<b>\$ 18,906</b>	<b>\$ 4,531</b>	<b>\$ 1,006</b>	<b>\$ 235,976</b>

The notes to this statement are an integral part of this statement.

**SEPTA CORRECTIONAL FACILITY  
ATHENS COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The SEPTA Correctional Facility, Athens 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 57 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:

Athens	Morgan	Washington
Hocking	Perry	
Meigs	Vinton	

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 (ODRC) 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 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 cash and investment pool, valued at the College's reported carrying amount. The Facility holds offenders' cash in demand deposit accounts.

The Facility credited interest earnings to the Resident Program Fund. Total investment earnings were \$565 in 2005.

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

**SEPTA CORRECTIONAL FACILITY  
ATHENS COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**Offender Funds**

Resident Program Funds: Established to encompass the following offender and other funds reported separately in prior years:

Industrial and Entertainment Fund: Reports receipts from other Offender Funds, such as telephone and commissary commissions, and donations. This Fund pays for programs and services benefiting offenders, such as entertainment.

Transportation Fund: Reports amounts received for fees charged based on the net income earned by the resident. This fund pays for expenses related to transporting residents to the places of employment.

SEPTA Judicial: Reports amounts the facility receives in cash, such as employee lunch fees and drug screening fees. Cash receipts that would offset a grant line item in the ODRC Fund are transferred to the ODRC Fund. Any remaining cash receipts are used to pay for equipment and other operating and non-operating costs for the Facility.

Resident Trust Funds: 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.

**SEPTA CORRECTIONAL FACILITY  
ATHENS COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 Hocking Technical College must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. 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 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 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. Unpaid leave is not reflected as a liability under the basis of accounting the Facility 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
\$ 1,950,928	\$ 1,950,892	\$ 36

2005 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$ 1,900,928	\$ 1,895,899	\$ 5,029

**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.

**SEPTA CORRECTIONAL FACILITY  
ATHENS COUNTY**

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

**3. COLLATERAL ON DEPOSITS AND INVESTMENTS (Continued)**

**Offender Fund 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.

Refund to ODRC			
	2006	2005	2004
Cash, July 1	\$ 154,928	\$ 183,296	\$ 169,570
Disbursements Against Prior Year Budget			0
Payable to ODRC, July 1	0	(28,397)	0
Sub-Total	154,928	154,899	169,570
501 Cash Receipts	1,950,928	1,895,928	1,858,782
Budgetary Basis Disbursements	(1,950,892)	(1,895,899)	(1,845,056)
Amount Subject to Refund, June 30	154,964	154,928	183,296
One-Twelfth of 501 Award	(162,577)	(157,994)	(154,899)
Refundable to ODRC	\$ (7,613)	\$ (3,066)	\$ 28,397

Calculation of Payable to ODRC			
	2006	2005	2004
Payable, July 1	\$ 0	\$ 28,398	\$ 23,948
Cash Refunded	0	(28,398)	0
Refundable to ODRC, June 30	0	0	4,450
Payable, June 30	\$ 0	\$ 0	\$ 28,398

**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 plan benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For the period January 1, 2006 to June 30, 2006, OPERS members contributed 9.0 percent of their gross salaries to OPERS. For the period July 1, 2004 to December 31, 2005, OPERS members contributed 8.5 percent of their gross salaries to OPERS. For the period January 1, 2006 to June 30, 2006, the Facility contributed an amount equal to 13.70 percent of participants' gross salaries. For the period July 1, 2004 to December 31, 2005, 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.

**SEPTA CORRECTIONAL FACILITY  
ATHENS COUNTY**

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

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Facility has obtained commercial insurance for the following risks:

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

**7. CONTINGENT LIABILITIES**

The Facility is a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, the Facility's counsel believes the resolution of these matters will not materially adversely affect the Facility's financial condition.

**8. PRIOR PERIOD ADJUSTMENTS**

Prior to fiscal year 2005, the 125 Benefit Plan Fund was included on the Ohio Department of Rehabilitation and Corrections (ODRC) 501-501 Fund. The Facility's management believes this fund would be better reported as a separate fund. In addition, a check issued and posted to the Resident Trust Fund in fiscal year 2004 was voided in fiscal year 2005. These resulted in the following restatements:

	ODRC Fund	126 Plan Fund	Resident Trust Fund
Fund Cash Balance at June 30, 2004	\$ 207,792	\$ -	\$ 51,076
Adjustments	(911)	911	37
Adjusted Fund Cash Balance at June 30, 2004	\$ 206,881	\$ 911	\$ 51,113

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**Auditor of State  
Betty Montgomery**

**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 Judicial Corrections 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, 2006 and 2005 and have issued our report thereon dated November 1, 2006, wherein we noted the Board follows 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 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 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 statement 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 November 1, 2006, we reported other matters involving internal control over financial reporting we did not deem to be 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 that are required to be reported under *Government Auditing Standards*. In a separate letter to the Facility's management dated November 1, 2006, we reported an other matter related to noncompliance we deemed immaterial.

SEPTA Correctional Facility  
Athens County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by Governmental Auditing Standards  
Page 2

We intend this report solely for the information and use of the Facility's management and the Judicial Corrections Board. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

November 1, 2006



**Auditor of State  
Betty Montgomery**

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**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  
NOVEMBER 30, 2006**