EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2008-2007

Mary Taylor, CPA
Auditor of State

EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY

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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:

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 5, 2009

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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, 2008 and 2007. 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 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 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 Center 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 Center 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 and unpaid obligations of the Eastern Ohio Correction Center, Jefferson County, 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 Center 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 June 5, 2009, 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 5, 2009

EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2008

	State Appropriations and Grants			Offender Funds		
	ODRC 501-501	Federal Grant Match	Federal	Resident Program	Offender Personal Funds	Totals
Cash Receipts:						
Intergovernmental	$ 2,939,637	$14,568	$ 118,696			$ 3,072,901
Receipts for offenders					$165,999	165,999
Collections from offenders				$7,391		7,391
Commissions				30,435		30,435
Reimbursement	699			49,815		50,514
Total Cash Receipts	2,940,336	14,568	118,696	87,641	165,999	3,327,240
Cash Disbursements:						
Personnel	2,163,200					2,163,200
Operating costs	562,895					562,895
Program costs	124,889	14,568	152,157	81,923		373,537
Equipment	116,704					116,704
Offender Disbursements:						
Offender legal obligations					10,195	10,195
Offender reimbursements					49,815	49,815
Offender payments to CBCF					7,391	7,391
Offender savings paid					100,322	100,322
Total Cash Disbursements	2,967,688	14,568	152,157	81,923	167,723	3,384,059
Disbursements from prior FY (Including refund to ODRC)						
Total Receipts Over/(Under) Disbursements	(27,352)		(33,461)	5,718	(1,724)	(56,819)
Fund Cash Balances, July 1, 2007	122,596		83,598	888	5,491	212,573
Fund Cash Balances, June 30, 2008	$95,244	$0	$50,137	$6,606	$3,767	$155,754
Unpaid Obligations/Open Purchase Orders	$49,817		$11,380			

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

EASTERN OHIO CORRECTION CENTER
JEFFERSON COUNTY

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				
	ODRC 501-501	Federal Grant Match	Federal	Resident Program	Offender Personal Funds	Offender Per Diem	Telephone Commissions	Commissary	Other/ Misc.	Totals
Cash Receipts:										
Intergovernmental	$2,855,809	$31,828	$169,538							$3,057,175
Receipts for offenders					$220,819					220,819
Collections from offenders				$7,237		$7,824		$4,553	$2,161	21,775
Commissions				20,932			$6,263	481	1,010	28,686
Reimbursement	1,129		1,539	20,681					9,063	32,412
Transfer In/Out				22,788		(2,426)	(2,922)	(12,969)	(4,471)	
Total Cash Receipts	2,856,938	31,828	171,077	71,638	220,819	5,398	3,341	(7,935)	7,763	3,360,867
Cash Disbursements:										
Personnel	2,076,655									2,076,655
Operating costs	589,042									589,042
Program costs	118,265	31,828	166,986	70,750		6,319	5,058	4,065	9,880	413,151
Offender Disbursements:	35,847									35,847
Offender legal obligations					7,156					7,156
Offender reimbursements					29,744					29,744
Offender payments to CBCF					15,061					15,061
Offender savings paid at exit					175,925					175,925
Total Cash Disbursements	2,819,809	31,828	166,986	70,750	227,886	6,319	5,058	4,065	9,880	3,342,581
Total Receipts Over/(Under) Disbursements	37,129	0	4,091	888	(7,067)	(921)	(1,717)	(12,000)	(2,117)	18,286
Fund Cash Balances, July 1, 2006	85,467	0	79,507		12,558	921	1,717	12,000	2,117	194,287
Fund Cash Balances, June 30, 2007	$122,596	$0	$83,598	$888	$5,491					$212,573
Unpaid Obligations/Open Purchase Orders	$ 99,340.00									

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

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 77 male offenders at its facility in Wintersville and approximately 27 female offenders at its facility in Lisbon. A Facilities Governing Board oversees the Center's operations. 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 years ended June 30, 2007 and 2008, 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

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.

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.

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. Facilities 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 2008 and 2007 budgetary activity appears in Note 2.

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, 2008 and 2007 follows:

2008 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
$2,939,637	$2,876,282	$63,355

2007 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
$2,849,689	$2,751,364	$98,325

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.

<u>OFFENDER FUNDS</u>

<u>Deposits</u>

The Center has Federal Deposit Insurance Corporation coverage of $100,000 for Offender Funds. There were no uncollateralized amounts.

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.

Refund to ODRC

	2007	2008
Cash, July 1	$85,467	$54,762
Disbursements Against Prior Year Budget	($77,346)	($60,948)
Payable to ODRC, July 1		
Sub-Total	$8,121	($6,186)
501 Cash Receipts	2,849,689	2,867,244
Budgetary Basis Disbursements	(2,838,555)	(2,861,320)
Amount Subject to Refund, June 30	$19,255	(262)
One-Twelfth of 501 Award	237,474	239,974
Refundable to ODRC		

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 2008 and 2007, OPERS members contributed 9 and 8.5 percent of their gross salaries and the Center contributed an amount equaling 13.7 and 13.55 percent, respectively, of participants' gross salaries. For 2008 and 2007, 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, 2008.

6. RISK MANAGEMENT

County Risk Sharing Authority (CORSA)

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 group primary 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' errors and omissions liability insurance.

6. RISK MANAGEMENT - (Continued)

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 County's control over the 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' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of certificates. The Center does not have an equity interest in or a financial responsibility for CORSA. Any additional premium or contribution amounts and estimates of losses are not reasonably determinable. The Center's payment for insurance to CORSA was $54,403 in 2007 and $53,792 in 2008.

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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*

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 the Eastern Ohio Correction Center, Jefferson County, (the Center) as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated June 5, 2009, wherein we noted the Center 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 Center'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 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 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 Center'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 Center'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 Center'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 Center's management in a separate letter dated June 5, 2009.

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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 matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Center's management in a separate letter dated June 5, 2009.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 5, 2009

Mary Taylor, CPA
Auditor of State

EASTERN 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
JULY 23, 2009