

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY, OHIO**

*Financial Statements*  
**(Audited)**

For the Year Ended  
December 31, 2016





# Dave Yost • Auditor of State

Board Members  
Corrections Commission of Southeastern Ohio  
16677 Riverside Drive  
Nelsonville, Ohio 45764

We have reviewed the *Independent Auditor's Report* of the Corrections Commission of Southeastern Ohio, Athens County, prepared by Julian & Grube, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Corrections Commission of Southeastern Ohio is responsible for compliance with these laws and regulations.

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Dave Yost  
Auditor of State

May 14, 2018

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**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Auditor's Report**

Corrections Commission of Southeastern Ohio  
Athens County  
16677 Riverside Drive  
Nelsonville, Ohio 45764

To the Board Members:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Corrections Commission of Southeastern Ohio, Athens County, Ohio, as of and for the year ended December 31, 2016.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corrections Commission of Southeastern Ohio's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corrections Commission of Southeastern Ohio's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Corrections Commission of Southeastern Ohio prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Corrections Commission of Southeastern Ohio does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Corrections Commission of Southeastern Ohio as of December 31, 2016, and the respective changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Corrections Commission of Southeastern Ohio, Athens County as of December 31, 2016, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2018, on our consideration of the Corrections Commission of Southeastern Ohio'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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corrections Commission of Southeastern Ohio's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
March 20, 2018



**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS) -  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Governmental Fund Types			Total All Funds
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Housing of Prisoners	\$ 4,468,290	\$ -	\$ -	\$ 4,468,290
Sales	-	229,252	-	229,252
Earnings on Investments	1,334	-	-	1,334
Medical Reimbursement	52,846	-	-	52,846
Other Revenue	72,916	-	3,239	76,155
<b>Total Cash Receipts</b>	<b>4,595,386</b>	<b>229,252</b>	<b>3,239</b>	<b>4,827,878</b>
<b>Cash Disbursements:</b>				
Current:				
Salaries	2,097,549	-	-	2,097,549
Fringe Benefits	1,082,750	-	-	1,082,750
Travel and Training	17,531	-	-	17,531
Supplies & Materials	90,572	-	-	90,572
Repairs & Maintenance	61,349	-	-	61,349
Inmate Housing:				
Cost of Goods Sold	-	204,334	-	204,334
Medical Expenses	-	10,000	-	10,000
Medical Services	50,582	-	-	50,582
Contract Services	455,047	-	-	455,047
Utilities	325,824	-	-	325,824
Property & Liability Insurance	71,837	-	-	71,837
Other Expenditures	4,302	5,204	-	9,506
Capital Outlay	4,336	-	234,324	238,660
<b>Total Cash Disbursements</b>	<b>4,261,678</b>	<b>219,538</b>	<b>234,324</b>	<b>4,715,540</b>
Excess of Receipts Over/(Under) Disbursements	333,708	9,714	(231,085)	112,337
Other Financing Receipts/(Disbursements):				
Transfers-In	-	-	431,717	431,717
Transfers-Out	(431,717)	-	-	(431,717)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(431,717)</b>	<b>-</b>	<b>431,717</b>	<b>-</b>
Net Change in Fund Cash Balances	(98,009)	9,714	200,632	112,337
Fund Cash Balances, January 1	868,909	122,061	131,664	1,122,635
<b>Fund Cash Balances, December 31</b>				
Nonspendable	17,080	-	-	17,080
Restricted	-	131,775	-	131,775
Committed	40,639	-	332,296	372,935
Unassigned (Deficit)	713,183	-	-	713,183
<b>Fund Cash Balances, December 31</b>	<b>\$ 770,901</b>	<b>\$ 131,775</b>	<b>\$ 332,296</b>	<b>\$ 1,234,972</b>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS) -  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
<b>Cash Receipts:</b>	
Other Receipts	<u>\$ 266,897</u>
Total Cash Receipts	<u>266,897</u>
<b>Cash Disbursements:</b>	
Other Disbursements	<u>287,821</u>
Total Cash Disbursements	<u>287,821</u>
Excess of Receipts Over/(Under) Disbursements	(20,924)
Fund Cash Balance, January 1	<u>22,563</u>
Fund Cash Balance, December 31	<u><u>\$ 1,639</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Corrections Commission of Southeastern Ohio, Athens County (the "Commission"), as a body corporate and politic. The Board of County Commissioners of Athens, Hocking, Morgan, and Perry Counties established the Commission. Vinton County was later added to the Commission. The Sheriff of each participating county and the presiding Judge of the Court of Common Pleas of each participating county direct the Commission. The purpose of the Commission is to use the authority common to the members to develop, construct, operate, and administer a multi-county correctional center to augment county jail programs and facilities.

The Commission's management believes these financial statements present all activities for which the Commission is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Fund Accounting**

The Commission uses fund accounting to segregate cash and investments that are restricted as to use. The Commission classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

2. Special Revenue Funds

These funds account for proceeds from specific sources that are restricted or committed to expenditure for specific purposes other than capital projects. The Commission had the following significant Special Revenue Fund:

Commissary Fund - Established in accordance with substitute House 480, this fund accounts for moneys received from sales to inmates, purchasing of merchandise, and payments for inmate medical expenses. This fund also receipts moneys from “pay-to-stay” fees collected from the inmates.

3. Capital Projects Fund

These funds account and report for receipts restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Commission had the following Capital Project Fund:

Capital Improvement Fund - This fund receives transfers from the General Fund for future expansion and capital improvements to the facilities.

4. Fiduciary Fund

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are for holding resources for individuals, organizations or other governments.

Agency Fund - The Commission established the agency fund to account for monies held on behalf of inmates while incarcerated.

**D. Budgetary Process**

The Commission is not required to follow the budgetary requirements under Ohio Revised Code Chapter 5705. However, the Commission does prepare an appropriation measure for the General Fund and approves subsequent amendments. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Commission must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Commission classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Commission must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board or a Commission official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Commission applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**F. Property, Plant and Equipment**

The Commission 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.

**H. Interfund Transactions**

During the course of normal operations, the Commission had transactions between funds. The most significant include transfers of resources from one fund to another. The resources transferred are to be expended for operations by the necessary fund and are recorded as operating transfers.

**I. Deposits**

The Commission credits interest to the General Fund. Total investment earnings were \$1,334.

**NOTE 2 - EQUITY IN POOLED DEPOSITS**

The Commission maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	<u>2016</u>
Demand Deposits	\$ 1,236,611

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Commission.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO  
ATHENS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 3 - RETIREMENT SYSTEM**

The Commission's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include employment healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10% of their gross salaries and the Commission contributed an amount equaling 14% of participants' gross salaries. The Commission has paid all contributions required through December 31, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2016</i>	<i>10%</i>	<i>14%</i>

**NOTE 4 - POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**NOTE 5 - RISK MANAGEMENT**

**Commercial Insurance**

The Commission has obtained commercial insurance for the following risks:

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



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

Corrections Commission of Southeastern Ohio  
Athens County  
16677 Riverside Drive  
Nelsonville, Ohio 45764

To the Board Members:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Corrections Commission of Southeastern Ohio, Athens County, Ohio, as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2018, wherein we noted the Corrections Commission of Southeastern Ohio followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Corrections Commission of Southeastern Ohio's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corrections Commission of Southeastern Ohio's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corrections Commission of Southeastern Ohio's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.



Board Members  
Corrections Commission of Southeastern Ohio

***Compliance and Other Matters***

As part of reasonably assuring whether the Corrections Commission of Southeastern Ohio'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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corrections Commission of Southeastern Ohio's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corrections Commission of Southeastern Ohio's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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Julian & Grube, Inc.  
March 20, 2018

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# Dave Yost • Auditor of State

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO**

**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  
MAY 29, 2018**