

CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO

ATHENS COUNTY, OHIO

**Financial Statements
(Audited)**

**For the Years Ended
December 31, 2019 and 2018**



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Columbus, Ohio 43215
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Members of the Board
Corrections Commission of Southeast Ohio
16677 Riverside Drive
Nelsonville, Ohio 45764

We have reviewed the *Independent Auditor's Report* of the Corrections Commission of Southeast Ohio, Athens County, prepared by Julian & Grube, Inc., for the audit period January 1, 2018 through December 31, 2019. 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.

The Auditor of State is currently conducting an investigation at the Commission. The investigation is ongoing and control or compliance issues, if any, related to this investigation will be addressed in future audit reports.

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 Southeast Ohio is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

August 13, 2020

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

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Independent Auditor's Report

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

To the Members of the Board:

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 years ended December 31, 2019 and 2018.

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, 2019 and 2018, and the respective changes in financial position thereof for the years 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, Ohio, as of December 31, 2019 and 2018, for the years 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements for the year ended December 31, 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Corrections Commission of Southeastern Ohio. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2020, 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.
June 20, 2020

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS) -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Governmental Fund Types			Total
	General	Special Revenue	Capital Projects	All Funds
Cash Receipts:				
Housing of Prisoners	\$ 4,760,273	\$ -	\$ -	\$ 4,760,273
Sales	-	77,376	-	77,376
Earnings on Investments	3,976	-	-	3,976
Medical Reimbursement	88,263	-	-	88,263
Other Revenue	76,027	-	-	76,027
Total Cash Receipts	4,928,539	77,376	-	5,005,915
Cash Disbursements:				
Current:				
Salaries	2,117,978	-	-	2,117,978
Fringe Benefits	1,073,945	-	-	1,073,945
Travel and Training	13,188	-	-	13,188
Supplies & Materials	120,774	-	-	120,774
Repairs & Maintenance	64,292	-	-	64,292
Inmate Housing:				
Cost of Goods Sold	-	71,243	-	71,243
Medical Expenses	-	11,353	-	11,353
Medical Services	93,406	-	-	93,406
Contract Services	770,232	-	-	770,232
Utilities	337,299	-	-	337,299
Property & Liability Insurance	78,456	-	-	78,456
Other Expenditures	3,994	-	-	3,994
Capital Outlay	11,617	-	117,749	129,366
Total Cash Disbursements	4,685,181	82,596	117,749	4,885,526
Excess of Receipts Over/(Under) Disbursements	243,358	(5,220)	(117,749)	120,389
Other Financing Receipts/(Disbursements):				
Transfers-In	-	-	20,895	20,895
Transfers-Out	(20,895)	-	-	(20,895)
Total Other Financing Receipts/(Disbursements)	(20,895)	-	20,895	-
Net Change in Fund Cash Balances	222,463	(5,220)	(96,854)	120,389
Fund Cash Balances, January 1	1,117,780	36,889	539,894	1,694,563
Fund Cash Balances, December 31				
Nonspendable	12,216	-	-	12,216
Restricted	-	31,669	-	31,669
Committed	-	-	443,040	443,040
Assigned	6,014	-	-	6,014
Unassigned (Deficit)	1,322,013	-	-	1,322,013
Fund Cash Balances, December 31	\$ 1,340,243	\$ 31,669	\$ 443,040	\$ 1,814,952

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, 2019**

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. Basis of Presentation

The Commission's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

C. 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.

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.

D. 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:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

1. General Fund

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

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 – Originally 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. In 2017, the commissary activity was contracted out to a third party. Beginning in 2018, the Commission moved to receipt all commissions received from the commissary third party administrators Aramark and Securus Technologies.

3. Capital Projects Funds

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 Projects Fund:

Capital Improvement Fund - This fund receives transfers from the General Fund for future expansion and capital improvements to the facilities from the 6-hour hold and non-member rentals.

E. Budgetary Process

The Commission is not required to follow the budgetary requirements under Ohio Revised Code 5705. However, the Commission did prepare an appropriation measure and approved subsequent amendments for the General Fund, Special Revenue, and Capital Projects Fund Types for 2019. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control for the General Fund and may not exceed appropriations at the fund level of control for the Special Revenue and Capital Projects Fund Types.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

F. 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

The Board 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 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, 2019**

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.

G. 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.

H. 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.

I. 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.

J. Deposits

The Commission credits interest to the General Fund. Total investment earnings were \$3,976.

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:

	2019
Demand Deposits	<u>\$ 1,814,952</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2 - EQUITY IN POOLED DEPOSITS - (Continued)

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2019, the carrying amount of the Commission's deposits was \$1,814,952 and the bank balance was \$1,844,984. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,594,894 collateralized with the OPCS.

NOTE 3 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees 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 postemployment healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2019, 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, 2019.

NOTE 4 – POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

NOTE 5 - RISK MANAGEMENT

Worker's Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Commission pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 5 - RISK MANAGEMENT – (Continued)

Commercial Insurance

The Commission has obtained commercial insurance for the following risks:

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

NOTE 6 – CONTINGENCIES

The Commission is the plaintiff in a lawsuit. Although management cannot presently determine the outcome of the suit, management believes that the resolution of these matters will not materially adversely affect the Commission's financial condition.

NOTE 7 – SUBSEQUENT EVENTS

The United States of America and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods for the Commission. The impact on the Commission's future operating costs, receipts, and any recovery from emergency funding, either federal or state, cannot be estimated.

**CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO
ATHENS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS) -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Governmental Fund Types			Total
	General	Special Revenue	Capital Projects	All Funds
Cash Receipts:				
Housing of Prisoners	\$ 4,626,796	\$ -	\$ -	\$ 4,626,796
Intergovernmental	-	-	30,000	30,000
Sales	-	43,986	-	43,986
Earnings on Investments	3,910	-	-	3,910
Medical Reimbursement	68,916	-	-	68,916
Other Revenue	88,455	-	18,514	106,969
Total Cash Receipts	4,788,077	43,986	48,514	4,880,577
Cash Disbursements:				
Current:				
Salaries	2,209,432	-	-	2,209,432
Fringe Benefits	1,091,353	-	-	1,091,353
Travel and Training	9,705	-	-	9,705
Supplies & Materials	102,785	-	-	102,785
Repairs & Maintenance	91,642	-	-	91,642
Inmate Housing:				
Cost of Goods Sold	-	73,545	-	73,545
Medical Expenses	-	11,738	-	11,738
Medical Services	74,293	-	-	74,293
Contract Services	582,054	-	-	582,054
Utilities	348,502	-	-	348,502
Property & Liability Insurance	77,261	-	-	77,261
Other Expenditures	19,980	-	-	19,980
Capital Outlay	19,303	-	148,368	167,671
Total Cash Disbursements	4,626,310	85,283	148,368	4,859,961
Excess of Receipts Over/(Under) Disbursements	161,767	(41,297)	(99,854)	20,616
Other Financing Receipts/(Disbursements):				
Transfers-In	-	-	72,991	72,991
Transfers-Out	(72,991)	-	-	(72,991)
Total Other Financing Receipts/(Disbursements)	(72,991)	-	72,991	-
Net Change in Fund Cash Balances	88,776	(41,297)	(26,863)	20,616
Fund Cash Balances, January 1	1,029,004	78,185	566,757	1,673,946
Fund Cash Balances, December 31				
Nonspendable	12,216	-	-	12,216
Restricted	-	36,889	-	36,889
Committed	-	-	539,894	539,894
Assigned	6,014	-	-	6,014
Unassigned (Deficit)	1,099,550	-	-	1,099,550
Fund Cash Balances, December 31	\$ 1,117,780	\$ 36,889	\$ 539,894	\$ 1,694,563

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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. Basis of Presentation

The Commission's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

C. 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.

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.

D. 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:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

1. General Fund

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

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 – Originally 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. In 2017, the commissary activity was contracted out to a third party. Beginning in 2018, the Commission moved to receipt all commissions received from the commissary third party administrators Aramark and Securus Technologies.

3. Capital Projects Funds

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 from the 6-hour hold and non-member rentals.

E. Budgetary Process

The Commission is not required to follow the budgetary requirements under Ohio Revised Code 5705. However, the Commission did prepare an appropriation measure and approved subsequent amendments for the General Fund, Special Revenue, and Capital Projects Fund Types for 2018. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control for the General Fund and may not exceed appropriations at the fund level of control for the Special Revenue and Capital Projects Fund Types.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

F. 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

The Board 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 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, 2018**

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.

G. 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.

H. 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.

I. 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.

J. Deposits

The Commission credits interest to the General Fund. Total investment earnings were \$3,910.

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:

	2018
Demand Deposits	<u>\$ 1,694,563</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 2 - EQUITY IN POOLED DEPOSITS – (Continued)

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

At December 31, 2018, the carrying amount of the Commission's deposits was \$1,694,563 and the bank balance was \$1,729,690. Of the bank balance, \$250,000 was covered by federal depository insurance and \$1,479,690 collateralized with the OPCS.

NOTE 3 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees 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 postemployment healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2018, 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, 2018.

NOTE 4 – POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 5 - RISK MANAGEMENT

Worker's Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Commission pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Commission has obtained commercial insurance for the following risks:

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

**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 Members of the Board:

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 years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated June 20, 2020, 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. In addition, as discussed in Note 7 to the financial statements for the year ended December 31, 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 a 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 Correction Commission of Southeastern Ohio’s financial statements. We consider finding 2019-002 described in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-001 described in the accompanying schedule of findings and responses to be a significant deficiency.

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*.

Corrections Commission of Southeastern Ohio's Response to Findings

The Corrections Commission of Southeastern Ohio's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not subject the Corrections Commission of Southeastern Ohio's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



Julian & Grube, Inc.
June 20, 2020

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2019-001

Significant Deficiency – Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions.

The following adjustment was made to the financial statements to properly record significant transactions during the audit period.

- During 2018, the Commission improperly recorded \$30,000 of Intergovernmental Revenues as Other Revenues. Intergovernmental Revenues were increased \$30,000 and Other Revenues were decreased \$30,000.

The audited financial statements, note disclosures, and Commission records have been adjusted for the misstatements identified during the audit.

A lack of proper policies and procedures for control and monitoring activities associated with the period-end financial reporting process could lead to financial statement and note disclosure adjustments, which if uncorrected, could lead to a misrepresentation of the Commission’s activity.

We recommend the Corrections Commission of Southeastern Ohio implement additional control procedures that enable management to more timely prevent or detect and correct potential misstatements in the basic financial statements prior to presenting them to the auditors. In addition, we recommend the Commission review the adjustments noted above and develop additional procedures to ensure intergovernmental revenues are properly classified on the financial statements.

Client Response: The Commission will work to provide a sound fiscal environment and has implemented additional policies and procedures to help with financial statement presentation.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2019-002

Material Weakness – Payroll Input Controls

Payroll processing controls are in place to ensure all monies associated with an employee’s pay are properly accounted for. The Commission has a set of payroll controls in place to determine employee timecards are accurate. This process includes procedures where timecards are generated by the timecard tracking system. All instances where sick, vacation, comp. time, and overtime have been taken are documented by the employee and submitted with the timecard, which are then reviewed and approved by the employee’s supervisor, the Warden, and the Fiscal Officer who also verifies the employee had sufficient balances at the time leave was taken.

While the controls in place were properly followed, testing over accruals and leave taken showed that amounts approved by the employee’s supervisor and the Warden were not properly recorded in the Commission’s payroll accounting software. The major reason for these discrepancies and why these discrepancies were not apparent when they took place was due to a lack of segregation of duties where the Fiscal Officer was the only person overseeing the payroll system inputs as there was a lack of a second or third review over the entire payroll process, which would ensure amounts related to leave accruals and deductions agreed to what was posted to the system.

By not properly segregating some of the duties over payroll processing and having a second or third review of the payroll process, discrepancies between leave accruals and deductions were present, and more importantly presented the opportunity for the system to be abused.

We recommend the Commission implement new procedures and controls to perform a more complete review of the payroll process by having a second and third review to ensure leave deductions and accruals are properly documented in the payroll accounting system.

Client Response: We have implemented a new time sheet process where the supervisors collect, review, and approve via signature each employee's time sheet. The time sheets are then routed through our chain of command, finally being reviewed and finalized by two separate fiscal officers. All leave deductions and accruals are now reviewed and verified by two separate fiscal officers. To sum the time sheet process up...we have several layers of review through our supervisory ranks prior to our fiscal officers receiving the timesheets. We focused some changes on our efforts to clean up our documentation of reports and data entry into the system regarding any change/modifications that may be needed.

We also had fiscal staff complete additional training through our fiscal vendor and also with a County Auditor in regards to payroll functions/processes, internal controls, and other fiscal operations. We have completed several payroll cycles now with these changes in place and it appears to be a much more accurate, cleaner and efficient process. If you have any questions regarding any of the changes made or need further clarification, please do not hesitate to contact the Warden, Deputy Warden, or Fiscal Officer.

OHIO AUDITOR OF STATE KEITH FABER



CORRECTIONS COMMISSION OF SOUTHEASTERN OHIO

ATHENS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 8/27/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov