



Certified Public Accountants, A.C.

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM  
TRUMBULL COUNTY  
Regular Audit  
For the Fiscal Years Ended June 30, 2018 and 2017**

313 Second St.  
Marietta, OH 45750  
740 373 0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304 422 2203

150 W. Main St., #A  
St. Clairsville, OH 43950  
740 695 1569

1310 Market St., #300  
Wheeling, WV 26003  
304 232 1358

749 Wheeling Ave., #300  
Cambridge, OH 43725  
740 435 3417



# OHIO AUDITOR OF STATE KEITH FABER



Members of the Judicial Advisory Board  
and the Facility Governing Board  
Northeast Ohio Community Alternative Program  
411 Pine Ave SE  
Warren, Ohio 44483

We have reviewed the *Independent Auditor's Report* of the Northeast Ohio Community Alternative Program, Trumbull County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2016 through June 30, 2018. 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 Northeast Ohio Community Alternative Program is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

March 13, 2019

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**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM  
TRUMBULL COUNTY**

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740 435 3417

## INDEPENDENT AUDITOR'S REPORT

December 28, 2018

Northeast Ohio Community Alternative Program  
Trumbull County  
411 Pine Avenue Southeast  
Warren, OH 44483

To the Members of the Judicial Advisory Board and Facility Governing Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each fund, and the related notes of **Northeast Ohio Community Alternative Program**, Trumbull County, (the Facility) as of and for the years ended June 30, 2018 and 2017.

### ***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 the Ohio Department of Rehabilitation and Corrections permits; 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 Facility'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 Facility's internal control. Accordingly, we express no 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.

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

As described in Note 2 of the financial statements, the Facility prepared these financial statements using the accounting basis permitted by the financial reporting provisions of the Ohio Department of Rehabilitation and Corrections, 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 Facility 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 the Ohio Department of Rehabilitation and Corrections permits. 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 Facility as of June 30, 2018 and 2017, or 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 for each fund, and related notes of Northeast Ohio Community Alternative Program, Trumbull County as of June 30, 2018 and 2017, and for the years then ended in accordance with the financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018, on our consideration of the Facility's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our 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 Facility's internal control over financial reporting and compliance.



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
COMMUNITY BASED CORRECTIONAL FACILITY  
NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
FOR THE YEAR ENDED JUNE 30, 2018**

	State Appropriations and Grants						Offender Funds			Totals (Memorandum Only)	
	ODRC Fund 103/990	Day Reporting Center PIG Grant Fund 126/991	Day Reporting Center JRIG Grant Fund 126/991	Federal RSAT Fund 239/992	Federal PREA Fund 211/992	CBCF Construction Project Fund 458/993	CBCF Capital Fund Fund 472/993	Resident Program	Offender Personal Funds		Employee Health Insurance
<b>Cash Receipts</b>											
Intergovernmental	\$ 5,642,918	\$ 129,469	\$ 163,276	\$ -	\$ -	\$ -	\$ 197,986	\$ 146	\$ -	\$ 1,210,956	\$ 7,344,751
Collections from offenders	-	-	-	-	-	-	-	-	65,177	-	65,177
Commissions	-	-	-	-	-	-	-	87,691	-	-	87,691
Reimbursement	14,412	138	-	-	-	-	-	2,841	-	-	17,391
Transfer In/Out	-	-	-	-	-	-	-	(446)	446	-	-
<i>Total Cash Receipts</i>	<u>5,657,330</u>	<u>129,607</u>	<u>163,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,986</u>	<u>90,232</u>	<u>65,623</u>	<u>1,210,956</u>	<u>7,515,010</u>
<b>Cash Disbursements</b>											
Current:											
Personnel	4,170,230	45,329	16,401	-	-	-	-	-	-	1,249,600	5,481,560
Operating costs	1,232,747	196,490	14,410	-	-	-	303,419	12,171	-	-	1,759,237
Program costs	192,765	-	-	-	-	-	-	8,450	-	-	201,215
Equipment	51,383	-	-	-	4,294	-	-	27,971	-	-	83,648
Offender Disbursements:											
Offender legal obligations	-	-	-	-	-	-	-	-	2,299	-	2,299
Offender reimbursements	-	-	-	-	-	-	-	-	657	-	657
Offender personal expenses	-	-	-	-	-	-	-	-	52,760	-	52,760
Offender savings paid at exit	-	-	-	-	-	-	-	-	9,651	-	9,651
<i>Total Cash Disbursements</i>	<u>5,647,125</u>	<u>241,819</u>	<u>30,811</u>	<u>-</u>	<u>4,294</u>	<u>-</u>	<u>303,419</u>	<u>48,592</u>	<u>65,367</u>	<u>1,249,600</u>	<u>7,591,027</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>10,205</u>	<u>(112,212)</u>	<u>132,465</u>	<u>-</u>	<u>(4,294)</u>	<u>-</u>	<u>(105,433)</u>	<u>41,640</u>	<u>256</u>	<u>(38,644)</u>	<u>(76,017)</u>
<i>Fund Cash Balances, July 1</i>	<u>706,345</u>	<u>116,735</u>	<u>-</u>	<u>981</u>	<u>-</u>	<u>2,844</u>	<u>(12,880)</u>	<u>80,204</u>	<u>5,040</u>	<u>134,735</u>	<u>1,034,004</u>
<i>Fund Cash Balances, June 30</i>	<u>\$ 716,550</u>	<u>\$ 4,523</u>	<u>\$ 132,465</u>	<u>\$ 981</u>	<u>\$ (4,294)</u>	<u>\$ 2,844</u>	<u>\$ (118,313)</u>	<u>\$ 121,844</u>	<u>\$ 5,296</u>	<u>\$ 96,091</u>	<u>\$ 957,987</u>
Unpaid Obligations/Open Purchase Orders	<u>207,105</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,478</u>	<u>64,784</u>	<u>273,867</u>

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

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
COMMUNITY BASED CORRECTIONAL FACILITY**

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM**

*TRUMBULL COUNTY*

*Notes to the Financial Statements  
For the Year Ended June 30, 2018*

**Note 1 – Reporting Entity**

The Northeast Ohio Community Alternative Program (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 185 offenders. A Facilities Governing Board oversees the Facility's operations. Common pleas judges from the Counties the Facility serves comprise a Judicial Advisory Board. The Judicial Advisory Board appoints two-thirds of the members of the Facility Governing Board and advises the Facilities Governing Board regarding Facility matters. The Board includes at least one common pleas court judge from each county the Facility serves. The Facility serves the following counties:

Ashtabula County	Geauga County	Lake County
Portage County	Trumbull County	

For the year ended June 30, 2018, the financial statement presents all funds related to the Facility.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Facility's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

***Fund Accounting***

The Facility uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Facility are presented below:

***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.

- ODRC 501 (County Fund #103 converted to Fund #990)

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

- Federal RSAT (County Fund #239 converted to Fund #992)

***Federal*** Reports amounts received from the Federal government, including amounts passed through ODRC.

- PREA-0006 (County Fund #211 converted to Fund #992)
  - One time grant to purchase security 2-way radios.

***Capital CAP 003*** Reports amounts received from the ODRC to finance all or part of the cost of the renovating or building facilities.

- CBCF Construction Project (County Fund #458 converted to Fund #993)

***CBCF Capital Fund*** Reports amounts received from the ODRC to finance all or part of the cost of the renovating or building facilities.

- CBCF Capital Fund (County Fund #472 converted to Fund #993)

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
COMMUNITY BASED CORRECTIONAL FACILITY**

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM**

*TRUMBULL COUNTY*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2018*

*(Continued)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***State Appropriations and Grants (Continued)***

***Day Reporting Center*** Reports amounts received from a partnership between the Facility and the Trumbull County Adult Probation Department agreement in order to operate a Day Reporting Center.

- Day Reporting Center (County Fund #126 converted to Fund #991)

***Offender Funds***

***Resident Program Fund*** ORC 2301.58 established the Resident Program Fund. Upon approval of the facility 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 facility 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 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.

***Other Funds***

***Employee Health Insurance Fund*** This self-funded health insurance fund accounts for insurance premium payments from other funds to pay medical, dental, and prescription claims of employees enrolled in the health insurance plan.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the Ohio Department of Rehabilitation and Corrections. 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. 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 the Ohio Department of Rehabilitation and Corrections requires.

***Budgetary Process***

***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.

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
COMMUNITY BASED CORRECTIONAL FACILITY**

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM**

*TRUMBULL COUNTY*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2018*

*(Continued)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Budgetary Process (Continued)***

***Encumbrances*** Disbursements from State appropriations and Grants are subject to Trumbull County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. The budgetary disbursement amounts reported in Note 3 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 5)

A summary of 2018 budgetary activity appears in Note 3.

***Deposits***

The Trumbull County Treasurer is the custodian of the Facility's grant funds and State appropriations. The County holds these Facility assets in the County's deposit and investment pool, valued at the County Treasurer's reported carrying amount. The Facility holds offenders' cash in demand deposit accounts.

***Capital Assets***

The Facility records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

***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.

**Note 3 – Budgetary Activity**

Budgetary activity for ODRC 501-501 funding the year ending June 30, 2018 follows:

2018 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 5,569,790	\$ 5,565,650	\$ (4,140)

**Note 4 – Collateral on Deposits and Investments**

***Grants and State Appropriations*** The County Treasurer is responsible for collateralizing deposits and investments for grants and State appropriations the County holds as custodian for the Facility.

***Offender Funds***

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
COMMUNITY BASED CORRECTIONAL FACILITY**

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM  
TRUMBULL COUNTY**

*Notes to the Financial Statements  
For the Year Ended June 30, 2018  
(Continued)*

**Note 4 – Collateral on Deposits and Investments (Continued)**

***Employee Health Insurance Fund***

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 5 – Refund to ODRC**

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Facility must refund any excess over this amount to ODRC. The schedule below computes the refund to ODRC for the year 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.

<b>Refund to ODRC</b>	
	2018
Cash, July 1	\$ 374,280
Disbursements Against Prior Year Budget	-
Payable to ODRC, July 1	-
Sub-Total	374,280
501 Cash Receipts	5,569,790
Budgetary Basis Disbursements	(5,565,650)
Amount Subject to Refund, June 30	378,420
One-Twelfth of 501 Award	(464,149)
Refundable to ODRC	\$ (85,729)

<b>Calculation of Payable to ODRC</b>	
	2018
Payable, July 1	\$ -
Cash Refunded	-
Refundable to ODRC, June 30	-
Payable to ODRC, July 1	\$ -

**Note 6 - Risk Management**

***Commercial Insurance***

The Facility has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Flood, and
- Content for items at Day Reporting Center and Painesville Facility.

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
COMMUNITY BASED CORRECTIONAL FACILITY**

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM**

*TRUMBULL COUNTY*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2018*

*(Continued)*

**Note 6 - Risk Management (Continued)**

***Self-Insurance***

The Facility is also self-insured for health, dental, and prescription coverage. The Self-Insurance Fund pays covered claims to service providers and recovers these costs from charges to other funds based on interfund rates based on claims approved by the claims administrator.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 6%, of their gross salaries and the Facility contributed an amount equaling 18% (14% Employer Rate + 4% PERS Pickup), respectively, of participants' gross salaries. The Facility has paid all contributions required through June 30, 2018.

Retirement Rates	Year	Member Rates	Employer Rates
OPERS - Local	2018	10%	14%

**Note 8 – Contingent Liabilities**

The Facility is 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.

Amounts grantor agencies pay to the Facility are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. The Facility's counsel cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
COMMUNITY BASED CORRECTIONAL FACILITY  
NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	State Appropriations and Grants				Offender Funds			Totals (Memorandum Only)	
	ODRC Fund 103	Day Reporting Center Fund 126	Federal RSAT Fund 239	CBCF Construction Project Fund 458	CBCF Capital Fund Fund 472	Resident Program	Offender Personal Funds		Employee Health Insurance
<b>Cash Receipts</b>									
Intergovernmental	\$ 5,634,242	\$ 517,875	\$ -	\$ -	\$ 147,300	\$ -	\$ -	\$ 1,019,988	\$ 7,319,405
Collections from offenders	-	-	-	-	-	-	72,211	-	72,211
Commissions	-	-	-	-	-	81,245	-	-	81,245
Reimbursement	1,775	-	-	-	-	268	-	-	2,043
Transfer In/Out	-	-	-	-	-	(601)	617	-	16
<i>Total Cash Receipts</i>	<u>5,636,017</u>	<u>517,875</u>	<u>-</u>	<u>-</u>	<u>147,300</u>	<u>80,912</u>	<u>72,828</u>	<u>1,019,988</u>	<u>7,474,920</u>
<b>Cash Disbursements</b>									
Current:									
Personnel	4,028,383	73,737	-	-	-	-	-	899,935	5,002,055
Operating costs	1,086,184	456,637	-	-	30,300	32,210	-	-	1,605,331
Program costs	168,793	10,500	-	-	-	7,597	-	-	186,890
Equipment	359,243	69,335	-	-	129,880	10,172	-	-	568,630
Offender Disbursements:									
Offender legal obligations	-	-	-	-	-	-	40	-	40
Offender reimbursements	-	-	-	-	-	-	883	-	883
Offender personal expenses	-	-	-	-	-	-	59,901	-	59,901
Offender savings paid at exit	-	-	-	-	-	-	10,601	-	10,601
<i>Total Cash Disbursements</i>	<u>5,642,603</u>	<u>610,209</u>	<u>-</u>	<u>-</u>	<u>160,180</u>	<u>49,979</u>	<u>71,425</u>	<u>899,935</u>	<u>7,434,331</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,586)</u>	<u>(92,334)</u>	<u>-</u>	<u>-</u>	<u>(12,880)</u>	<u>30,933</u>	<u>1,403</u>	<u>120,053</u>	<u>40,589</u>
<i>Fund Cash Balances, July 1</i>	<u>712,931</u>	<u>209,069</u>	<u>981</u>	<u>2,844</u>	<u>-</u>	<u>49,271</u>	<u>3,637</u>	<u>14,682</u>	<u>993,415</u>
<i>Fund Cash Balances, June 30</i>	<u>\$ 706,345</u>	<u>\$ 116,735</u>	<u>\$ 981</u>	<u>\$ 2,844</u>	<u>\$ (12,880)</u>	<u>\$ 80,204</u>	<u>\$ 5,040</u>	<u>\$ 134,735</u>	<u>\$ 1,034,004</u>
Unpaid Obligations/Open Purchase Orders	<u>102,616</u>	<u>1,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,669</u>	<u>135,995</u>

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

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
COMMUNITY BASED CORRECTIONAL FACILITY**

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM**

*TRUMBULL COUNTY*

*Notes to the Financial Statements  
For the Year Ended June 30, 2017*

**Note 1 – Reporting Entity**

The Northeast Ohio Community Alternative Program (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 185 offenders. A Facilities Governing Board oversees the Facility's operations. Common pleas judges from the Counties the Facility serves comprise a Judicial Advisory Board. The Judicial Advisory Board appoints two-thirds of the members of the Facility Governing Board and advises the Facilities Governing Board regarding Facility matters. The Board includes at least one common pleas court judge from each county the Facility serves. The Facility serves the following counties:

Ashtabula County	Geauga County	Lake County
Portage County	Trumbull County	

For the year ended June 30, 2017, the financial statement presents all funds related to the Facility.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Facility's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

***Fund Accounting***

The Facility uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Facility are presented below:

***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.

- ODRC 501 (County Fund #103)

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

- Federal RSAT (County Fund #239)

***Federal*** Reports amounts received from the Federal government, including amounts passed through ODRC.

- PREA-0006 (County Fund #211)
  - One time grant to purchase security camera system only.

***Capital CAP 003*** Reports amounts received from the ODRC to finance all or part of the cost of the renovating or building facilities.

- CBCF Construction Project (County Fund #458)

***CBCF Capital Fund*** Reports amounts received from the ODRC to finance all or part of the cost of the renovating or building facilities.

- CBCF Capital Fund (County Fund #472)



**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
COMMUNITY BASED CORRECTIONAL FACILITY**

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM**

*TRUMBULL COUNTY*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2017*

*(Continued)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***State Appropriations and Grants (Continued)***

***Day Reporting Center*** Reports amounts received from a partnership between the Facility and the Trumbull County Adult Probation Department agreement in order to operate a Day Reporting Center.

- Day Reporting Center (County Fund #126)

***Offender Funds***

***Resident Program Fund*** ORC 2301.58 established the Resident Program Fund. Upon approval of the facility 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 facility 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 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.

***Other Funds***

***Employee Health Insurance Fund*** This self-funded health insurance fund accounts for insurance premium payments from other funds to pay medical, dental, and prescription claims of employees enrolled in the health insurance plan.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the Ohio Department of Rehabilitation and Corrections. 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. 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 the Ohio Department of Rehabilitation and Corrections requires.

***Budgetary Process***

***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.

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
COMMUNITY BASED CORRECTIONAL FACILITY**

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM**

*TRUMBULL COUNTY*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2017*

*(Continued)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Budgetary Process (Continued)**

**Encumbrances** Disbursements from State appropriations and Grants are subject to Trumbull County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. The budgetary disbursement amounts reported in Note 3 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 5)

A summary of 2017 budgetary activity appears in Note 3.

**Deposits**

The Trumbull County Treasurer is the custodian of the Facility's grant funds and State appropriations. The County holds these Facility assets in the County's deposit and investment pool, valued at the County Treasurer's reported carrying amount. The Facility holds offenders' cash in demand deposit accounts.

**Capital Assets**

The Facility records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

**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.

**Note 3 – Budgetary Activity**

Budgetary activity for ODRC 501-501 funding the year ending June 30, 2017 follows:

2017 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 5,707,370	\$ 5,691,780	\$ (15,590)

**Note 4 – Collateral on Deposits and Investments**

**Grants and State Appropriations** The County Treasurer is responsible for collateralizing deposits and investments for grants and State appropriations the County holds as custodian for the Facility.

**Offender Funds**

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation.

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
COMMUNITY BASED CORRECTIONAL FACILITY**

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM**

*TRUMBULL COUNTY*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2017*

*(Continued)*

**Note 4 – Collateral on Deposits and Investments (Continued)**

***Employee Health Insurance Fund***

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 5 – Refund to ODRC**

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Facility must refund any excess over this amount to ODRC. The schedule below computes the refund to ODRC for the year 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.

<u>Refund to ODRC</u>	
	<u>2017</u>
Cash, July 1	\$ 358,690
Disbursements Against Prior Year Budget	-
Payable to ODRC, July 1	-
Sub-Total	<u>358,690</u>
501 Cash Receipts	5,707,370
Budgetary Basis Disbursements	<u>(5,691,780)</u>
Amount Subject to Refund, June 30	374,280
One-Twelfth of 501 Award	<u>(475,614)</u>
Refundable to ODRC	<u><u>(\$101,334)</u></u>

<u>Calculation of Payable to ODRC</u>	
	<u>2017</u>
Payable, July 1	\$ -
Cash Refunded	-
Refundable to ODRC, June 30	-
Payable to ODRC, July 1	<u><u>\$ -</u></u>

**Note 6 - Risk Management**

***Commercial Insurance***

The Facility has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Flood, and
- Content for items at Day Reporting Center and Painesville Facility.

**OHIO DEPARTMENT OF REHABILITATION AND CORRECTION  
COMMUNITY BASED CORRECTIONAL FACILITY**

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM**

*TRUMBULL COUNTY*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2017*

*(Continued)*

**Note 6 - Risk Management (Continued)**

***Self-Insurance***

The Facility is also self-insured for health, dental, and prescription coverage. The Self-Insurance Fund pays covered claims to service providers and recovers these costs from charges to other funds based on interfund rates based on claims approved by the claims administrator.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 6%, of their gross salaries and the Facility contributed an amount equaling 18% (14% Employer Rate + 4% PERS Pickup), respectively, of participants' gross salaries. The Facility has paid all contributions required through June 30, 2017.

Retirement Rates	Year	Member Rates	Employer Rates
OPERS - Local	2017	10%	14%

**Note 8 – Contingent Liabilities**

The Facility is defendant in zero lawsuits.

Amounts grantor agencies pay to the Facility are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. The Facility's counsel cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



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740 695 1569

1310 Market St., Suite 300  
Wheeling, WV 26003  
304 232 1358

749 Wheeling Ave., Suite 300  
Cambridge, OH 43725  
740 435 3417

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

December 28, 2018

Northeast Ohio Community Alternative Program  
Trumbull County  
411 Pine Avenue Southeast  
Warren, OH 44483

To the Members of the Judicial Advisory Board and Facility Governing 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 for each fund of **Northeast Ohio Community Alternative Program**, Trumbull County, (the Facility) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2018, wherein we noted the Facility followed financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits.

**Internal Control Over Financial Reporting**

As part of our financial statement audit, we considered the Facility's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Facility'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 Facility'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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### **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, 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 Facility's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Facility's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM  
TRUMBULL COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2018-001**

**Material Weakness**

**Financial Reporting**

Accurate financial reporting is the responsibility of the Business Manager and is essential to ensure information provided to the readers of the financial statements is accurate. Footnote disclosures should be accurate based on underlying source documentation and governmental accounting standards.

During 2018 and 2017, financial statements and footnote disclosures were not always presented correctly. The following errors were noted:

- 2017 Employee Health Insurance Fund expense was misclassified on the financial statements as Operating Costs rather than the proper Personnel expense;
- 2017 Employee Health Insurance Fund ending fund balance did not agree to the 2018 Employee Health Insurance Fund beginning fund balance;
- 2018 total CBCF Fund – Fund 993 did not agree to the County Auditor’s Monthly Financial Statement for fiscal year 2018;
- 2018 ODRC Transfer Out was incorrectly presented on the financial statement;
- The Facility omitted a risk management footnote relating to self-insurance for 2018 and 2017; and
- The Facility utilized an outdated footnote shell, therefore minor corrections were made to conform with the most up to date guidance available.

As a result, reclassifications and modifications were made in order to fairly present the annual financial report. The financial statements and footnotes reflect these reclassifications and modifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements.

We also recommend the Facility ensure all applicable footnote disclosures are accurately reported.

**Management’s Response** – We did not receive a response from officials to this finding.

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 26, 2019**