



Certified Public Accountants, A.C.

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM
TRUMBULL COUNTY
REGULAR AUDIT
FOR THE FISCAL YEARS ENDED JUNE 30, 2020-2019**

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

www.perrycpas.com

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) For the Year Ended June 30, 2020	3
Notes to the Financial Statements For the Year Ended June 30, 2020	4
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) For the Year Ended June 30, 2019	11
Notes to the Financial Statements For the Year Ended June 30, 2019	12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	18
Schedule of Audit Findings	20
Schedule of Prior Audit Findings	21

INDEPENDENT AUDITOR'S REPORT

December 29, 2020

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 by fund type, and the related notes of **Northeast Ohio Community Alternative Program**, Trumbull County, Ohio (the Facility) as of and for the years ended June 30, 2020 and 2019.

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 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 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, 2020 and 2019, and the 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 Northeast Ohio Community Alternative Program, Trumbull County as of June 30, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Facility. 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 December 29, 2020, 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, 2020**

	<u>State Appropriations and Grants</u>				<u>Offender Funds</u>			Totals (Memorandum Only)
	ODRC Fund 990	Day Reporting Center Fund 991	Federal Fund 992	Capital Fund Fund 993	Resident Program	Offender Personal Funds	Employee Health Insurance	
Cash Receipts								
Intergovernmental	\$ 5,876,981	\$ 327,648	\$ -	\$ -	\$ -	\$ -	\$ 1,690,346	\$ 7,894,975
Collections from offenders	-	-	-	-	-	53,430	-	53,430
Commissions	-	-	-	-	105,756	-	-	105,756
Reimbursement	55,711	-	-	-	268	-	-	55,979
Transfer In/Out	-	-	-	-	1,351	-	-	1,351
<i>Total Cash Receipts</i>	<u>5,932,692</u>	<u>327,648</u>	<u>-</u>	<u>-</u>	<u>107,375</u>	<u>53,430</u>	<u>1,690,346</u>	<u>8,111,491</u>
Cash Disbursements								
Current:								
Personnel	4,711,949	211,153	-	-	-	-	1,775,338	6,698,440
Operating costs	998,218	108,530	-	-	94,666	-	-	1,201,414
Program costs	177,233	17,003	-	-	21,165	-	-	215,401
Equipment	16,194	2,461	-	-	5,503	-	-	24,158
Offender Disbursements:								
Offender legal obligations	-	-	-	-	-	-	-	-
Offender reimbursements	-	-	-	-	-	1,171	-	1,171
Offender personal expenses	-	-	-	-	-	42,954	-	42,954
Offender savings paid at exit	-	-	-	-	-	9,099	-	9,099
<i>Total Cash Disbursements</i>	<u>5,903,594</u>	<u>339,147</u>	<u>-</u>	<u>-</u>	<u>121,334</u>	<u>53,224</u>	<u>1,775,338</u>	<u>8,192,637</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>29,098</u>	<u>(11,499)</u>	<u>-</u>	<u>-</u>	<u>(13,959)</u>	<u>206</u>	<u>(84,992)</u>	<u>(81,146)</u>
<i>Fund Cash Balances, July 1</i>	<u>691,178</u>	<u>188,684</u>	<u>981</u>	<u>2,844</u>	<u>128,211</u>	<u>2,713</u>	<u>156,958</u>	<u>1,171,569</u>
<i>Fund Cash Balances, June 30</i>	<u>\$ 720,276</u>	<u>\$ 177,185</u>	<u>\$ 981</u>	<u>\$ 2,844</u>	<u>\$ 114,252</u>	<u>\$ 2,919</u>	<u>\$ 71,966</u>	<u>\$ 1,090,423</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, 2020*

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 of Ashtabula, Geauga, Lake, Portage, and Trumbull 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 Judicial Advisory Board includes at least one common pleas court judge from each county the Facility serves. The Facility serves the following counties:

Ashtabula	Gauga	Lake
Portage	Trumbull	

For the year ended June 30, 2020, 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

Fund 990 - 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.

Fund 991 - Day Reporting Center agreement between Trumbull County Adult Probation, Trumbull Court of Common Pleas, and the Facility to fund the general operating costs of running a reporting program and funded through a Probation Improvement Grant issued by ODRC.

Fund 992 - Federal Reports amounts received from the Federal government, including amounts passed through ODRC. Such as Prison Rape Elimination Act funds given to Facility to upgrade surveillance equipment.

Fund 993 - Capital CAP 003 Reports amounts received from the ODRC to finance all or part of the cost of the renovating or building facilities.

**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, 2020*

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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, and reimbursable costs such medical services, and similar services.

Previously, CBCFs maintained separate Telephone Commission Funds as well as "Other" Funds for similar services (i.e. vending commissions). The Facility Governing Board approved and transferred the balance of these accounts to the Resident Program Fund on April 6, 2007. These funds have been combined to establish the Resident Program Fund pursuant to House Bill 162 that established ORC 2301.58.

Offender Personal Funds This fund reports amounts the Facility receives and holds in a custodial capacity for each offender while confined. The Facility holds personal funds, including salaries offenders earn while confined, and maintains separate balances for each offender. The Facility makes payments as directed by the offender or per program requirements. Upon release, the Facility pays remaining funds to the offender.

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).

All monthly reconciliations with the Facility's fiscal agent (Trumbull County Auditor) are balances on a cash basis as described above. However, when reporting expenditures vs. budget to the Ohio Department of Rehabilitation and Corrections for annual reporting and the basis of refund determination the totals are generated on an accrual basis. This is due to the Facility having 90 days following the end of the fiscal year to close out open expenditures. Totals in Note 3 (Budgetary Activity) and Note 5 (Refund to ODRC) are represented in accrual basis.

These statements include adequate disclosure of material matters the Ohio Department of Rehabilitation and Corrections requires.

**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, 2020

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 the ODRC one-twelfth reserve allowance or if permit by an extension. If the balance of the one-twelfth reserve exceeds its limit those funds are refunded to ODRC (See Note 5).

A summary of 2020 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.

The Facility holds no investments.

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, 2020 follows:

2020 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 5,876,981	\$ 5,716,017	\$ 160,964

**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, 2020*

(Continued)

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.

Employee Health Insurance Fund

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Refund to ODRC

In FY 2020, the ODRC migrated the CBCF grant to a bi-annual grant (encompassing FY 2020 and FY 2021), This resulted in NEOCAP moving to an 8-quarter grant. Therefore, any unspent funds left over at the end of FY 2020 will roll over into the following FY 2021 year and the Refund to ODRC calculation for FY 2020 is not applicable.

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.

**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, 2020

(Continued)

Note 5 – Refund to ODRC (Continued)

Refund to ODRC	
	2020
Cash, July 1	\$ 381,236
Disbursements Against Prior Year Budget	(141)
Payable to ODRC, July 1	-
Sub-Total	381,095
501 Cash Receipts	5,876,981
Budgetary Basis Disbursements	(5,716,017)
Amount Subject to Refund, June 30	542,059
One-Twelfth of 501 Award	(489,748)
Refundable to ODRC	\$ 52,311
	-
Calculation of Payable to ODRC	
	2020
Payable, July 1	\$ -
Cash Refunded	-
Refundable to ODRC, June 30	-
Payable to ODRC, July 1	\$ -

Note 6 - Risk Management

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

Commercial Insurance

The Facility has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Public officials' liability;
- Law enforcement liability;
- Rental building contents; and
- Flood building and contents

During 2020, the Facility paid \$0 for losses that exceeded insurance coverage.

**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, 2020

(Continued)

Note 6 - Risk Management (Continued)

Self-Insurance

The Facility is also self-insured for health and dental insurance. The Self-Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined total cost per policy year. A comparison of Self-Insurance Fund cash to the paid expenditures as of June 30, 2020 follows:

	2020
Cash and investments	\$ 1,847,304
Actuarial liabilities	\$ 1,775,337

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 percent, of their gross salaries and the Facility contributed an amount equaling 18 percent, of participants' gross salaries. The Facility has paid all contributions required through June 30, 2020.

Retirement Rates	Year	Member Rates	Employer Rates
OPERS - Local	2020	6%	18%

OPERS member rate is 10%, while the employer rate is 14%. The Facility pays a portion of the member rate.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined 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 0 percent during fiscal year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4 percent during fiscal year 2020.

**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, 2020*

(Continued)

Note 9 – 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.

Note 10 – Related Party Transactions

The Facility runs the Trumbull Day Reporting Center out of the Stone Building on the Second Floor in Warren, Ohio and this space was donated for \$0 per year by the Trumbull County Commissioners.

The Facility runs a second location dedicated to females out of 1955 Blasé Nemeth Road, Painesville, Ohio and this building is rented from the Lake County Commissioners for \$1 per year with a triple net lease.

Note 11 – Subsequent Events

The United States 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 will impact subsequent periods of the Facility. The impact on the Facility's future operating costs, revenues, and recovery from emergency funding, either federal or state, cannot be estimated.

**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, 2019**

	State Appropriations and Grants				Offender Funds			Totals (Memorandum Only)
	ODRC Fund 990	Day Reporting Center Fund 991	Federal Fund 992	Capital Fund Fund 993	Resident Program	Offender Personal Funds	Employee Health Insurance	
Cash Receipts								
Intergovernmental	\$ 5,551,911	\$ 327,072	\$ 4,294	\$ 379,475	\$ -	\$ -	\$ 1,098,837	\$ 7,361,589
Collections from offenders	-	-	-	-	-	61,156	-	61,156
Commissions	-	-	-	-	96,927	-	-	96,927
Reimbursement	28,000	-	-	-	1,699	-	-	29,699
Transfer In/Out	-	-	-	-	(20)	20	-	-
Total Cash Receipts	5,579,911	327,072	4,294	379,475	98,606	61,176	1,098,837	7,549,371
Cash Disbursements								
Current:								
Personnel	4,294,289	81,788	-	-	-	-	1,037,970	5,414,047
Operating costs	1,042,250	193,120	-	-	13,355	-	-	1,248,725
Program costs	187,046	-	-	-	12,986	-	-	200,032
Equipment	81,698	468	-	-	65,898	-	-	148,064
Capital project	-	-	-	261,162	-	-	-	261,162
Offender Disbursements:								
Offender legal obligations	-	-	-	-	-	1,521	-	1,521
Offender reimbursements	-	-	-	-	-	894	-	894
Offender personal expenses	-	-	-	-	-	53,181	-	53,181
Offender savings paid at exit	-	-	-	-	-	8,163	-	8,163
Total Cash Disbursements	5,605,283	275,376	-	261,162	92,239	63,759	1,037,970	7,335,789
Excess of Receipts Over (Under) Disbursements	(25,372)	51,696	4,294	118,313	6,367	(2,583)	60,867	213,582
Fund Cash Balances, July 1	716,550	136,988	(3,313)	(115,469)	121,844	5,296	96,091	957,987
Fund Cash Balances, June 30	\$ 691,178	\$ 188,684	\$ 981	\$ 2,844	\$ 128,211	\$ 2,713	\$ 156,958	\$ 1,171,569
Unpaid Obligations/Open Purchase Orders	304,701	-	-	-	-	-	-	304,701

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, 2019

Note 1 – Reporting Entity

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For the year ended June 30, 2019, 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:

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Fund 993 - Capital CAP 003 Reports amounts received from the ODRC to finance all or part of the cost of the renovating or building facilities.

**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, 2019

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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, and reimbursable costs such medical services, and similar services.

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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).

All monthly reconciliations with the Facility's fiscal agent (Trumbull County Auditor) are balances on a cash basis as described above. However, when reporting expenditures vs. budget to the Ohio Department of Rehabilitation and Corrections for annual reporting and the basis of refund determination the totals are generated on an accrual basis. This is due to the Facility having 90 days following the end of the fiscal year to close out open expenditures. Totals in Note 3 (Budgetary Activity) and Note 5 (Refund to ODRC) are represented in accrual basis.

These statements include adequate disclosure of material matters the Ohio Department of Rehabilitation and Corrections requires.

**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, 2019

(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 the ODRC one-twelfth reserve allowance or if permit by an extension. If the balance of the one-twelfth reserve exceeds its limit those funds are refunded to ODRC (See Note 5).

A summary of 2019 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.

The Facility holds no investments.

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, 2019 follows:

2019 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$ 5,551,911	\$ 5,549,095	\$ 2,816

**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, 2019

(Continued)

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.

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.

Refund to ODRC	
	2019
Cash, July 1	\$ 378,420
Disbursements Against Prior Year Budget	-
Payable to ODRC, July 1	-
Sub-Total	378,420
501 Cash Receipts	5,551,911
Budgetary Basis Disbursements	(5,549,095)
Amount Subject to Refund, June 30	381,236
One-Twelfth of 501 Award	(462,602)
Refundable to ODRC	\$ (81,366)

Calculation of Payable to ODRC	
	2019
Payable, July 1	\$ -
Cash Refunded	-
Refundable to ODRC, June 30	-
Payable to ODRC, July 1	\$ -

**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, 2019

(Continued)

Note 6 - Risk Management

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

Commercial Insurance

The Facility has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Public officials' liability;
- Law enforcement liability;
- Rental building contents; and
- Flood building and contents

During 2019, the Facility paid \$0 for losses that exceeded insurance coverage.

Self-Insurance

The Facility is also self-insured for health and dental insurance. The Self-Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined total cost per policy year. A comparison of Self-Insurance Fund cash to the paid expenditures as of June 30, 2019 follows:

	2019
Cash and investments	\$ 1,098,837
Actuarial liabilities	\$ 1,037,969

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 percent, of their gross salaries and the Facility contributed an amount equaling 18 percent, of participants' gross salaries. The Facility has paid all contributions required through June 30, 2019.

Retirement Rates	Year	Member Rates	Employer Rates
OPERS - Local	2020	6%	18%

OPERS member rate is 10%, while the employer rate is 14%. The Facility pays a portion of the member rate.

**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, 2019*

(Continued)

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined 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 0 percent during fiscal year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4 percent during fiscal year 2019.

Note 9 – 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.

Note 10 – Related Party Transactions

The Facility runs the Trumbull Day Reporting Center out of the Stone Building on the Second Floor in Warren, Ohio and this space was donated for \$0 per year by the Trumbull County Commissioners.

The Facility runs a second location dedicated to females out of 1955 Blasé Nemeth Road, Painesville, Ohio and this building is rented from the Lake County Commissioners for \$1 per year with a triple net lease.

Note 11 – Subsequent Events

The United States 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 will impact subsequent periods of the Facility. The impact on the Facility's future operating costs, revenues, and recovery from emergency funding, either federal or state, cannot be estimated.



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market Street, 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 29, 2020

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, 2020 and 2019, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2020, wherein we noted the Facility followed financial reporting provisions the Ohio Department of Rehabilitation and Corrections permits. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Facility.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Facility’s internal control over financial reporting (internal control) as a basis for designing 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 2020-001 to be a material weakness.

Tax - Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll – Litigation Support – Financial Investigations
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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 financial statements. 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, 2020-2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2020-001

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 2020 and 2019, financial statements and footnote disclosures were not always presented correctly. The following errors were noted:

- Employee Health Insurance Fund expense was misclassified on the financial statements as Operating Costs rather than the proper Personnel expense in both fiscal year 2019 and 2020;
- The Capital Fund (Fund 993) was overstated by \$1,085,000 compared to the County Auditor's Monthly Financial Statement for fiscal year 2020;
- The Capital Fund (Fund 993) incorrectly included \$1,085,000 in grant revenue which is not expected to be received until FY 2021;
- ODRC Transfer Out was incorrectly presented on the financial statements in both fiscal year 2019 and 2020;
- The Facility omitted minor footnote items in both fiscal year 2020 and 2019.

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.

**NORTHEAST OHIO COMMUNITY ALTERNATIVE PROGRAM
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020-2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Financial Reporting	Not Corrected	Repeated as Finding 2020-001