

**Corrections Commission of Northwest Ohio  
Williams County**

Financial Condition

As of

December 31, 1999

Together with Auditor's Report





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Board of Corrections Commission of Northwest Ohio  
Corrections Commission of Northwest Ohio  
3151 Road 24.25  
Route 1, Box 100-A  
Stryker, OH 43557

We have reviewed the independent auditor's report of the Corrections Commission of Northwest Ohio, Williams County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 1999 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO  
Auditor of State

July 9, 2001

**This Page is Intentionally Left Blank.**

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Index of Funds	(i)
Independent Auditor's Report	1
Combined Statement of Cash and Fund Cash Balance - All Fund Types and Account Groups	3
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All governmental Fund Types	4
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary Funds Types and Similar Fiduciary Funds	5
Combined Statement of Receipts - Budget versus Actual	6
Combined Statement of Disbursements, and Encumbrances Compared with Expenditure Authority	7
Notes to Financial Statements	8
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	14
Schedule of Reportable Conditions	16
Summary Schedule of Prior Audit Findings	18

**This Page is Intentionally Left Blank.**

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY

TABLE OF CONTENTS

GOVERNMENTAL FUND TYPES:

General Fund Type:  
Operating Fund

Special Revenue Fund Type:  
New Beginnings  
Choices  
Electronic Monitoring Program

PROPRIETARY FUND TYPE:

Enterprise Fund Type:  
Inmate Fund

FIDUCIARY FUND TYPES:

Agency Fund Types:  
Fulton County Fund  
City of Toledo Fund  
Defiance County Fund  
Williams County Fund  
Henry County Fund  
Lucas County Fund  
Intake Fund  
Work Release Fund  
Reliance Financial Services

**This Page is Intentionally Left Blank.**



Certified Public Accountant  
13212 Shaker Square, Suite 100  
Cleveland, Ohio 44120  
(216) 283-1535  
Fax: (216) 283-5724

## **Independent Auditor's Report**

Board of Corrections Commission of Northwest Ohio  
Williams County, Ohio

I have audited the accompanying financial statements of Corrections Commission of Northwest Ohio as of December 31, 1999 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the financial statements. I believe that my audit provides a reasonable basis for my opinion

As discussed Note 2, the Commission prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the cash, investments and fund cash balances, of Corrections Commission of Northwest Ohio as of December 31, 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued a report dated February 5, 2001 on my consideration of Corrections Commission of Northwest Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the management, auditor of state and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

February 5, 2001



Corrections Commission of Northwest Ohio  
 Williams County  
 Combined Statement of Cash and  
 Fund Cash Balances - All Fund Types  
 December 31, 1999

POOLED CASH AND INVESTMENTS

Cash and Cash Equivalents	\$2,065,448
Cash on Hand	200
	-----
Total	\$2,065,648
	=====

CASH BALANCES BY FUND TYPE

Governmental Fund Type:

General Fund	\$749,176
Special Revenue Funds	56,629

Proprietary Fund Type:

Enterprise Fund	59,811
Agency Fund	1,200,032
	-----
Total	\$2,065,648
	=====

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

Corrections Commission of Northwest Ohio  
Williams County  
Combined Statement of Cash Receipts, Disbursements  
and Changes in Fund Cash Balances  
All Governmental Fund Types  
For the Year Ended December 31, 1999

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Operating Cash Receipts:</b>			
Multi-Jurisdictional	\$9,745,286	-	\$9,745,286
Rental Revenue	529,735	-	529,735
Grant Revenue	-	\$302,899	302,899
Interest Income	115,088	-	115,088
Commissary Revenue	-	-	-
Miscellaneous Income	457,329	-	457,329
<b>Total Operating Cash Receipts</b>	<b>10,847,438</b>	<b>302,899</b>	<b>11,150,337</b>
<b>Operating Cash Disbursements:</b>			
Salary, Wages and Benefits	7,382,716	127,441	7,510,157
Education, Training, Memberships and Dues	56,014	-	56,014
Insurance	171,736	-	171,736
Travel	11,516	5,484	17,000
Supply Expense	157,532	3,743	161,275
Contract Services	2,089,433	129,362	2,218,795
Postage Service	4,379	-	4,379
Utilities	444,031	4,891	448,922
Clothing and Linen	137,368	-	137,368
Motor Vehicles	56,928	640	57,568
Personnel Recruitment	10,318	-	10,318
Professional Services	17,445	-	17,445
Dry Cleaning	60,573	-	60,573
Equipment Expense	122,120	5,706	127,826
<b>Total Operating Cash Disbursements</b>	<b>10,722,109</b>	<b>277,267</b>	<b>10,999,376</b>
<b>Excess of Receipts Over(Under) Disbursements before Nonoperating Cash Receipts/(Disbursements)</b>	<b>125,329</b>	<b>25,632</b>	<b>150,961</b>
<b>Nonoperating cash receipts/(disbursements):</b>			
Other nonoperating receipts	-	-	-
Other nonoperating disbursements	-	-	-
<b>Total nonoperating cash receipts/(disbursements)</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>125,329</b>	<b>25,632</b>	<b>150,961</b>
Fund Cash Balance - January 1, 1999	623,847	30,997	654,844
Fund Cash Balance - December 31, 1999	\$749,176	\$56,629	\$805,805

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

Corrections Commission of Northwest Ohio  
 Williams County  
 Combined Statement of Cash Receipts, Disbursements  
 and Changes in Fund Cash Balances  
 All Proprietary Fund Types and Similar Fiduciary Funds  
 For the Year Ended December 31, 1999

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Multi-Jurisdictional	-	-	0
Rental Revenue	-	-	0
Grant Revenue	-	-	0
Interest Income	\$1,604	-	\$1,604
Commissary Revenue	74,769	-	74,769
Miscellaneous Income	108,880	-	108,880
<b>Total Operating Cash Receipts</b>	<b>185,253</b>	<b>0</b>	<b>185,253</b>
<b>Operating Cash Disbursements:</b>			
Salary, Wages and Benefits	-	-	0
Education, Training, Memberships and Dues	14,187	-	14,187
Insurance	-	-	0
Travel	-	-	0
Supply Expense	6,304	-	6,304
Contract Services	125,511	-	125,511
Postage Service	1,125	-	1,125
Utilities	-	-	0
Clothing and Linen	5,959	-	5,959
Motor Vehicles	-	-	0
Personnel Recruitment	-	-	0
Professional Services	-	-	0
Dry Cleaning	-	-	0
Equipment Expense	16,902	-	16,902
<b>Total Operating Cash Disbursements</b>	<b>169,988</b>	<b>0</b>	<b>169,988</b>
<b>Excess of Receipts Over(Under) Disbursements before Nonoperating Cash Receipts/(Disbursements)</b>	<b>15,265</b>	<b>0</b>	<b>15,265</b>
<b>Nonoperating cash receipts/(disbursements):</b>			
Other nonoperating receipts	-	22,139,394	22,139,394
Other nonoperating disbursements	-	(21,974,229)	(21,974,229)
<b>Total nonoperating cash receipts/(disbursements)</b>	<b>-</b>	<b>165,165</b>	<b>165,165</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>15,265</b>	<b>165,165</b>	<b>180,430</b>
Fund Cash Balance - January 1, 1999	44,546	1,034,867	1,079,413
Fund Cash Balance - December 31, 1999	\$59,811	\$1,200,032	\$1,259,843

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

Corrections Commission of Northwest Ohio  
 Combined Statement of Receipts - Budget versus Actual  
 For the Year Ended December 31, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
	-----	-----	-----
Governmental:			
General	\$11,356,151	\$10,847,438	(\$508,713)
Special Revenue	354,149	302,899	(51,250)
	-----	-----	-----
	11,710,300	11,150,337	(559,963)
Proprietary:			
Enterprise	182,626	183,905	1,279
	-----	-----	-----
	182,626	183,905	1,279
Fiduciary:			
Agency	0	0	0
	-----	-----	-----
Total (memorandum only)	\$11,892,926	\$11,334,242	(\$558,684)
	=====	=====	=====

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

Corrections Commission of Northwest Ohio  
 Combined Statement of Disbursements, and Encumbrances  
 Compared with Expenditure Authority  
 For the Year Ended December 31, 1999

	Prior Year Carryover Appropriations	1999 Appropriations	Total	Actual 1999 Disbursements	Encumbrances Outstanding at 12/31/99	Total	Variance Favorable (Unfavorable)
	-----	-----	-----	-----	-----	-----	-----
Governmental Fund Type:							
General Fund	\$570,625	\$10,785,526	\$11,356,151	\$10,722,109	\$346,768	\$11,068,877	\$287,274
Special Revenue Funds	12,785	341,364	354,149	277,267	2,164	279,431	74,718
Proprietary Fund Type:							
Enterprise Fund	9,541	173,085	182,626	169,988	4,930	174,918	7,708
Total (Memorandum Only)	\$592,951	\$11,299,975	\$11,892,926	\$11,169,364	\$353,862	\$11,523,226	\$369,700
	=====	=====	=====	=====	=====	=====	=====

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

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 1999

NOTE 1 - DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION  
(As Required by Various Statutes)

A. DESCRIPTION OF THE ENTITY

The Correction Commission of Northwest Ohio (the "Commission") is a public entity organized September 30, 1987, under Section 307.93 of the Ohio Revised Code for the purpose of establishing a multicounty-municipal correction center, constructing that center, overseeing its operation and administration and promoting other cooperative programs relating to the center. The Commission superseded the Regional Planning Committee (the "Committee") which was formed to plan for the center and was disbanded on September.

The members of the Commission, who were also members of the Committee, are:

Lucas County	Williams County
Defiance County	Henry County
Fulton County	City of Toledo

The receipts in the accompanying financial statements were received from the Members and others for the purpose stated above.

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

B. BASIS OF PRESENTATION

The accounts of the Commission are organized on the basis of fund accounting. The various funds are summarized by type in the combined financial statements.

Amounts in the "Totals (Memorandum Only)" columns of the financial statements represent a summation of the financial statements line items of the fund types and account groups. These amounts are presented for analytical purposes only.

C. FUND ACCOUNTING

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

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 1999

Governmental Fund Types:

General Fund. This fund is the general operating fund of the Commission. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds. These funds are used to account for the proceeds of specific sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

Proprietary Fund Types:

The proprietary fund is used to account for the Commission's ongoing activities which are similar to those found in the private sector. The following is the Commission's proprietary fund type:

Enterprise Fund. This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing certain goods or services will be recovered through user charges.

Fiduciary Fund Types:

The fiduciary funds account assets held by the Commission's in a trustees capacity or as an agent on behalf of others.

Agency Funds. These funds are purely custodial in nature and does not present results of operations or have a measurement focus.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below.

A. BASIS OF ACCOUNTING:

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 disclosures of material matters, as prescribed or permitted by the Auditor of State.

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUNDING

Annually the Commission estimates costs for the next fiscal year. Such estimates are considered by the Members and are then modified or accepted by the Members. Each Member thereafter remits its share of the Commission's costs to the Commission in the amount and at the times directed by the fiscal agent. If the aggregate of the Member's contributions for the estimated costs for a fiscal year are insufficient to pay the Commission's expenses, then the fiscal agent shall assess each Member its proportional share of the additional cost.

C. BUDGETARY PROCESS

Budgets are prepared annually, in accordance with the Ohio Revised Code.

ENCUMBRANCES

Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

APPROPRIATIONS

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Commission must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

ESTIMATED RESOURCES

Estimated resources include estimates of cash to be received (budgeted receipts) plus beginning of the year fund cash balances.

D. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

E. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Commission.

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 1999

NOTE 3 - DEPOSITS AND INVESTMENTS

Legal Requirements. Monies held by the Commission are classified by State statute into two categories. Active monies means an amount of public monies determined to be necessary to meet current demands upon the Commission treasury. Active monies must be maintained either as cash in the Commission treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the Commission which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase and reverse repurchase agreements in the securities listed above;
4. Bond and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Commission's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year-end, the Commission had \$200 in undeposited cash on hand which is included as part of "Pooled Cash and Cash Investments". This amount is uninsured and uncollateralized.

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 1999

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Deposits. At year-end, the carrying amount of the Commission's deposits was \$571,047 and the bank balance was \$819,822. Of the bank balance, \$100,000 was covered by federal depository insurance, by collateral held by the Commission, or by collateral held by a qualified third party trustee in the name of the Commission and \$719,822 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

The Commission has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio), during 1999. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes.

STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 1999. At year end, the carrying amount of the Commission's deposits with Star Ohio was \$4,520 and the market value was \$4,520.

Investments. Statutory provisions require that the Corrections Commission of Northwest Ohio hold all securities acquired by the Corrections Commission of Northwest Ohio or deposit them with a qualified trustee pursuant to Section 135.18, Revised Code. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterparty is a designated depository of the Corrections Commission of Northwest Ohio for the current period of designation of depositories, in which case the securities may be held in trust by the depository. At the end of each day, the Corrections Commission of Northwest Ohio withdraws surplus funds from the account and invests the monies in an overnight repurchase agreement. The Corrections Commission of Northwest Ohio does not purchase any specific security in this manner, but the investment is collateralized by pledged securities held by a third party in the name of the bank.

GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. Category 1 includes investments that are insured or registered, or securities held by the Corrections Commission of Northwest Ohio or its agent in the Corrections Commission of Northwest Ohio's name. Category 2 includes uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Corrections Commission of Northwest Ohio's name. Category 3 includes uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Corrections Commission of Northwest Ohio's name. STAR Ohio is unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Fair Value</u>	<u>Market Value</u>
Repurchase Agreements	\$ 1,489,881	\$ 1,489,881	\$ 1,568,238
	=====	=====	=====

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 1999

NOTE 4 - DEFINED BENEFIT PENSION PLANS

The District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. As of December 31, 2000, the District picks up the employee contribution of 8.5 percent of the employees' gross wages. The District also contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2000.

NOTE 5 - INSURANCE

The Commission maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100 percent co-insured.

NOTE 6 - CONTINGENT LIABILITIES

The Commission has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the Commission Commissioners believe such disallowances, if any, will be immaterial.

The Commission is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Commission's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Commission.

NOTE 7 - LEASE COMMITMENT

Prior to the 1999 calendar year, the Commission had entered into lease agreements with the following; D & M Leasing, Inc. for a copy machine; Towlift for a pneumatic tire fork lift truck; Pitney Bowes Credit Corporation for a mailing machine and D & M Leasing, Inc. for a copy machine. Rental expense for the operating lease for the year ended December 31, 1999 was \$12,552.

The total future minimum rental payments required for the operating lease are as follows:

<u>December 31,</u>	
2000	\$12,552
2001	9,051
2002	5,396
2003	5,121



Certified Public Accountant  
13212 Shaker Square, Suite 100  
Cleveland, Ohio 44120  
(216) 283-1535  
Fax: (216) 283-5724

**Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Corrections Commission of Northwest Ohio  
Williams County, Ohio

I have audited the financial statements of Corrections Commission of Northwest Ohio as of and for the year ended December 31, 1999, and have issued my report thereon dated February 5, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Corrections Commission of Northwest Ohio's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Corrections Commission of Northwest Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Corrections Commission of Northwest Ohio's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of reportable conditions as items 99-1 and 99-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, of the reportable conditions described above, I consider items 99-1 to be material weaknesses.

This report is intended solely for the information of Corrections Commission of Northwest Ohio, the Auditor of State of Ohio, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

February 5, 2001

Corrections Commission of Northwest Ohio  
Schedule of Reportable Conditions  
December 31, 1999

99-1

**Bank Accounts**

Condition:

The Intake bank account is not included on the Corrections Commission of Northwest Ohio's accounting system. Therefore, financial data is not properly stated throughout the calendar year.

Criteria:

Each bank account should be entered into the accounting system.

Effect:

This may result in errors and irregularities due to the high number of intra-bank transfers needed to maintain these accounts. In addition, inaccurate financial data is presented throughout the year.

Cause:

Management prefers to record the activities from these bank accounts manually.

Recommendation:

To improve control over the bank accounts, I recommend that each bank account be entered into the current accounting system. Thereby, reducing the risk of producing inaccurate financial statements.

Auditee's Response:

All bank accounts are currently on the CCNO accounting system except for the Intake Account. As of February 2000, the Intake Account, has been incorporated into the current accounting system.

99-2

**Bank Reconciliation**

Condition:

The cash balances in the cash reconciliation report, were not reconciled to the bank reconciliation on a monthly basis.

Criteria:

The bank reconciliation should be reconciled to the accounts maintained in the cash reconciliation report on a monthly basis.

Corrections Commission of Northwest Ohio  
Schedule of Reportable Conditions  
December 31, 1999

**Bank Reconciliation** (continued)

Effect:

The cash reconciliation report for the Inmate ; Grant and Operating account, did not agree with the ending cash balance per the bank reconciliation as of December 31, 1999.

Cause:

Management performed a cash reconciliation on the combined cash of the CCNO.

Recommendation:

To improve control regarding cash accounts, I recommend that reconciliations performed on each bank account, be reconciled to the cash balances maintained on the cash reconciliation report, on a monthly basis. By performing this procedure, the risk of presenting inaccurate financial statements will be significantly reduced.

Auditee's Response:

Monthly reconciliation of bank accounts, will be reconciled to the cash reconciliation report. This procedure will be implemented immediately.

Corrections Commission of Northwest Ohio  
Summary Schedule of Prior Audit Findings  
Year Ended December 31, 1999

98-1 **Bank Accounts**

Condition:

Several bank accounts are not included on the Corrections Commission of Northwest Ohio's accounting system. Therefore, financial data is not properly stated throughout the calendar year.

Recommendation:

To improve control over the bank accounts, I recommend that all these accounts be put on the current accounting system. Using the following guidelines:

1. A general account should include operating account, capital account (money designated for the purchase of equipment), member jurisdictions accounts, inmate account, other revenue account, and the reserve account.
2. The grant account is used to maintain the federal revenues which are not allowed to earn interest.
3. The intake account hold the inmates money until the inmate is released.
4. The payroll account is a clearing account for employee paychecks
5. The work release account is used for the collection of jail fees and court costs. The payroll checks from work release inmates are deposited to this account. The Commission keeps a portion of each inmates check to pay for jail fees and possibly court costs and writes a check for the remainder of the paycheck back to the inmate.

Current Status:

The Inmate Account has been incorporated into the current accounting, and Intake Account, was not incorporated in the accounting system, until February 2000. Therefore, this finding will be repeated for the Intake Account.

**Corrections Commission of Northwest Ohio  
Williams County**

Financial Condition

As of

December 31, 2000

Together with Auditor's Report



CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Index of Funds	(i)
Independent Auditor's Report	1
Combined Statement of Cash and Fund Cash Balance - All Fund Types and Account Groups	3
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All governmental Fund Types	4
Combined Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary Funds Types and Similar Fiduciary Funds	5
Combined Statement of Receipts - Budget versus Actual	6
Combined Statement of Disbursements, and Encumbrances Compared with Expenditure Authority	7
Notes to Financial Statements	8
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	14
Schedule of Reportable Conditions	16
Summary Schedule of Prior Audit Findings	17

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY

TABLE OF CONTENTS

GOVERNMENTAL FUND TYPES:

General Fund Type:

Operating Fund

Special Revenue Fund Type:

New Beginnings

Choices

Electronic Monitoring Program

PROPRIETARY FUND TYPE:

Enterprise Fund Type:

Inmate Fund

FIDUCIARY FUND TYPES:

Agency Fund Types:

Fulton County Fund

City of Toledo Fund

Defiance County Fund

Williams County Fund

Henry County Fund

Lucas County Fund

Intake Fund

Work Release Fund

Reliance Financial Services



Kevin L.  
Penn, Inc.

Certified Public Accountant  
13212 Shaker Square, Suite 100  
Cleveland, Ohio 44120  
(216) 283-1535  
Fax: (216) 283-5724

### **Independent Auditor's Report**

Board of Corrections Commission of Northwest Ohio  
Williams County, Ohio

I have audited the accompanying financial statements of Corrections Commission of Northwest Ohio as of December 31, 2000 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of the financial statements. I believe that my audit provides a reasonable basis for my opinion

As discussed Note 1, the Commission prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the cash, investments and fund cash balances, of Corrections Commission of Northwest Ohio as of December 31, 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued a report dated February 5, 2001 on my consideration of Corrections Commission of Northwest Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the management, auditor of state and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

February 5, 2001



Corrections Commission of Northwest Ohio  
 Williams County  
 Combined Statement of Cash and  
 Fund Cash Balances - All Fund Types  
 December 31, 2000

POOLED CASH AND INVESTMENTS

Cash and Cash Equivalents	\$2,568,499
Cash on Hand	200
	-----
Total	\$2,568,699
	=====

CASH BALANCES BY FUND TYPE

Governmental Fund Type:

General Fund	\$593,559
Special Revenue Funds	68,099

Proprietary Fund Type:

Enterprise Fund	87,364
Agency Fund	1,819,677
	-----
Total	\$2,568,699
	=====

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

Corrections Commission of Northwest Ohio  
Williams County  
Combined Statement of Cash Receipts, Disbursements  
and Changes in Fund Cash Balances  
All Governmental Fund Types  
For the Year Ended December 31, 2000

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Operating Cash Receipts:			
Multi-Jurisdictional	\$9,608,926	-	\$9,608,926
Rental Revenue	99,551	-	99,551
Grant Revenue	-	\$367,042	367,042
Interest Income	158,203	-	158,203
Commissary Revenue	-	-	-
Miscellaneous Income	556,908	-	556,908
<b>Total Operating Cash Receipts</b>	<b>10,423,588</b>	<b>367,042</b>	<b>10,790,630</b>
Operating Cash Disbursements:			
Salary, Wages and Benefits	7,132,798	125,319	7,258,117
Education, Training, Memberships and Dues	68,072	-	68,072
Insurance	199,343	-	199,343
Travel	9,058	7,073	16,131
Supply Expense	194,570	6,298	200,868
Contract Services	2,051,674	206,173	2,257,847
Postage Service	5,732	-	5,732
Utilities	484,569	3,973	488,542
Clothing and Linen	147,013	-	147,013
Motor Vehicles	56,579	-	56,579
Personnel Recruitment	6,288	-	6,288
Professional Services	27,183	-	27,183
Dry Cleaning	61,427	-	61,427
Equipment Expense	134,899	6,736	141,635
<b>Total Operating Cash Disbursements</b>	<b>10,579,205</b>	<b>355,572</b>	<b>10,934,777</b>
Excess of Receipts Over(Under) Disbursements before Nonoperating Cash Receipts/(Disbursements)	(155,617)	11,470	(144,147)
Nonoperating cash receipts/(disbursements):			
Other nonoperating receipts	-	-	-
Other nonoperating disbursements	-	-	-
<b>Total nonoperating cash receipts/(disbursements)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Receipts Over (Under) Disbursements	(155,617)	11,470	(144,147)
Fund Cash Balance - January 1, 2000	749,176	56,629	805,805
Fund Cash Balance - December 31, 2000	\$593,559	\$68,099	\$661,658

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

Corrections Commission of Northwest Ohio  
Williams County  
Combined Statement of Cash Receipts, Disbursements  
and Changes in Fund Cash Balances  
All Proprietary Fund Types and Similar Fiduciary Funds  
For the Year Ended December 31, 2000

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Multi-Jurisdictional	-	-	\$0
Rental Revenue	-	-	0
Grant Revenue	-	-	0
Interest Income	\$3,036	-	3,036
Commissary Revenue	39,521	-	39,521
Miscellaneous Income	142,467	-	142,467
	-----	-----	-----
Total Operating Cash Receipts	185,024	0	185,024
	-----	-----	-----
<b>Operating Cash Disbursements:</b>			
Salary, Wages and Benefits	-	-	0
Education, Training, Memberships and Dues	11,896	-	11,896
Insurance	-	-	0
Travel	4,438	-	4,438
Supply Expense	12,805	-	12,805
Contract Services	117,182	-	117,182
Postage Service	1,106	-	1,106
Utilities	-	-	0
Clothing and Linen	4,527	-	4,527
Motor Vehicles	-	-	0
Personnel Recruitment	-	-	0
Professional Services	-	-	0
Dry Cleaning	-	-	0
Equipment Expense	5,517	-	5,517
	-----	-----	-----
Total Operating Cash Disbursements	157,471	0	157,471
	-----	-----	-----
Excess of Receipts Over(Under) Disbursements before Nonoperating Cash Receipts/(Disbursements)	27,553	0	27,553
	-----	-----	-----
<b>Nonoperating cash receipts/(disbursements):</b>			
Other nonoperating receipts	-	22,795,091	22,795,091
Other nonoperating disbursements	-	(22,175,446)	(22,175,446)
	-----	-----	-----
Total nonoperating cash receipts/(disbursements)	-	619,645	619,645
	-----	-----	-----
Excess of Receipts Over (Under) Disbursements	27,553	619,645	647,198
	-----	-----	-----
Fund Cash Balance - January 1, 2000	59,811	1,200,032	1,259,843
	-----	-----	-----
Fund Cash Balance - December 31, 2000	\$87,364	\$1,819,677	\$1,907,041
	=====	=====	=====

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

Corrections Commission of Northwest Ohio  
 Combined Statement of Receipts - Budget versus Actual  
 For the Year Ended December 31, 2000

	Budget	Actual	Variance Favorable (Unfavorable)
	-----	-----	-----
Governmental:			
General	\$11,737,445	\$10,423,588	(\$1,313,857)
Special Revenue	355,572	367,042	11,470
	-----	-----	-----
	12,093,017	10,790,630	(1,302,387)
Proprietary:			
Enterprise	157,471	185,024	27,553
	-----	-----	-----
	157,471	185,024	27,553
Fiduciary:			
Agency	0	0	0
	-----	-----	-----
Total (memorandum only)	\$12,250,488	\$10,975,654	(\$1,274,834)
	=====	=====	=====

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

Corrections Commission of Northwest Ohio  
 Combined Statement of Disbursements, and  
 Encumbrances  
 Compared with Expenditure Authority  
 For the Year Ended December 31, 2000

	Prior Year Carryover Appropriations	2000 Appropriations	Total	Actual 2000 Disbursements	Encumbrances Outstanding at 12/31/2000	Total	Variance Favorable (Unfavorable)
	-----	-----	-----	-----	-----	-----	-----
Governmental Fund Type:							
General Fund	\$346,768	\$11,390,677	\$11,737,445	\$10,579,205	\$525,919	\$11,105,124	\$632,321
Special Revenue Funds	2,164	450,216	452,380	355,572	3,109	358,681	93,699
Proprietary Fund Type:							
Enterprise Fund	4,930	168,812	173,742	157,471	2,123	159,594	14,148
Total (Memorandum Only)	\$353,862	\$12,009,705	\$12,363,567	\$11,092,248	\$531,151	\$11,623,399	\$740,168
	=====	=====	=====	=====	=====	=====	=====

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

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2000

NOTE 1 - DESCRIPTION OF THE ENTITY AND BASIS OF PRESENTATION  
(As Required by Various Statutes)

A. DESCRIPTION OF THE ENTITY

The Correction Commission of Northwest Ohio (the "Commission") is a public entity organized September 30, 1987, under Section 307.93 of the Ohio Revised Code for the purpose of establishing a multicounty-municipal correction center, constructing that center, overseeing its operation and administration and promoting other cooperative programs relating to the center. The Commission superseded the Regional Planning Committee (the "Committee") which was formed to plan for the center and was disbanded on September.

The members of the Commission, who were also members of the Committee, are:

Lucas County	Williams County
Defiance County	Henry County
Fulton County	City of Toledo

The receipts in the accompanying financial statements were received from the Members and others for the purpose stated above.

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

B. BASIS OF PRESENTATION

The accounts of the Commission are organized on the basis of fund accounting. The various funds are summarized by type in the combined financial statements.

Amounts in the "Totals (Memorandum Only)" columns of the financial statements represent a summation of the financial statements line items of the fund types and account groups. These amounts are presented for analytical purposes only.

C. FUND ACCOUNTING

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

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2000

Governmental Fund Types:

General Fund. This fund is the general operating fund of the Commission. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds. These funds are used to account for the proceeds of specific sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

Proprietary Fund Types:

The proprietary fund is used to account for the Commission's ongoing activities which are similar to those found in the private sector. The following is the Commission's proprietary fund type:

Enterprise Fund. This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing certain goods or services will be recovered through user charges.

Fiduciary Fund Types:

The fiduciary funds account assets held by the Commission's in a trustees capacity or as an agent on behalf of others.

Agency Funds. These funds are purely custodial in nature and does not present results of operations or have a measurement focus.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below.

A. BASIS OF ACCOUNTING:

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 disclosures of material matters, as prescribed or permitted by the Auditor of State.

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUNDING

Annually the Commission estimates costs for the next fiscal year. Such estimates are considered by the Members and are then modified or accepted by the Members. Each Member thereafter remits its share of the Commission's costs to the Commission in the amount and at the times directed by the fiscal agent. If the aggregate of the Member's contributions for the estimated costs for a fiscal year are insufficient to pay the Commission's expenses, then the fiscal agent shall assess each Member its proportional share of the additional cost.

C. BUDGETARY PROCESS

Budgets are prepared annually, in accordance with the Ohio Revised Code.

ENCUMBRANCES

Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

APPROPRIATIONS

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Commission must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

ESTIMATED RESOURCES

Estimated resources include estimates of cash to be received (budgeted receipts) plus beginning of the year fund cash balances.

D. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

E. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Commission.

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2000

NOTE 3 - DEPOSITS AND INVESTMENTS

Legal Requirements. Monies held by the Commission are classified by State statute into two categories. Active monies means an amount of public monies determined to be necessary to meet current demands upon the Commission treasury. Active monies must be maintained either as cash in the Commission treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the Commission which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase and reverse repurchase agreements in the securities listed above;
4. Bond and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Commission's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year-end, the Commission had \$200 in undeposited cash on hand which is included as part of "Pooled Cash and Cash Investments". This amount is uninsured and uncollateralized.

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2000

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Deposits. At year-end, the carrying amount of the Commission's deposits was \$633,113 and the bank balance was \$983,071. Of the bank balance, \$100,000 was covered by federal depository insurance, by collateral held by the Commission, or by collateral held by a qualified third party trustee in the name of the Commission and \$883,071 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

The Commission has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio), during 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes.

STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2000. At year end, the carrying amount of the Commission's deposits with Star Ohio was \$4,810 and the market value was \$4,810.

Investments. Statutory provisions require that the Corrections Commission of Northwest Ohio hold all securities acquired by the Corrections Commission of Northwest Ohio or deposit them with a qualified trustee pursuant to Section 135.18, Revised Code. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterparty is a designated depository of the Corrections Commission of Northwest Ohio for the current period of designation of depositories, in which case the securities may be held in trust by the depository. At the end of each day, the Corrections Commission of Northwest Ohio withdraws surplus funds from the account and invests the monies in an overnight repurchase agreement. The Corrections Commission of Northwest Ohio does not purchase any specific security in this manner, but the investment is collateralized by pledged securities held by a third party in the name of the bank.

GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. Category 1 includes investments that are insured or registered, or securities held by the Corrections Commission of Northwest Ohio or its agent in the Corrections Commission of Northwest Ohio's name. Category 2 includes uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Corrections Commission of Northwest Ohio's name. Category 3 includes uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Corrections Commission of Northwest Ohio's name. STAR Ohio is unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Fair Value</u>	<u>Market Value</u>
Repurchase Agreements	\$ 1,930,576	\$ 1,930,576	\$ 2,031,904
	=====	=====	=====

CORRECTIONS COMMISSION OF NORTHWEST OHIO  
WILLIAMS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2000

NOTE 4 - DEFINED BENEFIT PENSION PLANS

The District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. As of December 31, 2000, the District picks up the employee contribution of 8.5 percent of the employees' gross wages. The District also contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2000.

NOTE 5 - INSURANCE

The Commission maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100 percent co-insured.

NOTE 6 - CONTINGENT LIABILITIES

The Commission has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the Commission Commissioners believe such disallowances, if any, will be immaterial.

The Commission is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Commission's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Commission.

NOTE 7 - LEASE COMMITMENT

Prior to the 2000 calendar year, the Commission had entered into lease agreements with the following; D & M Leasing, Inc. for a copy machine; Towlift for a pneumatic tire fork lift truck; Pitney Bowes Credit Corporation for a mailing machine and D & M Leasing, Inc. for a copy machine. Rental expense for the operating lease for the year ended December 31, 2000 was \$12,552.

The total future minimum rental payments required for the operating lease are as follows:

<u>December 31,</u>	
2001	9,051
2002	5,396
2003	5,121



Kevin L.  
Penn, Inc.

Certified Public Accountant  
13212 Shaker Square, Suite 100  
Cleveland, Ohio 44120  
(216) 283-1535  
Fax: (216) 283-5724

**Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Corrections Commission of Northwest Ohio  
Williams County, Ohio

I have audited the financial statements of Corrections Commission of Northwest Ohio as of and for the year ended December 31, 2000, and have issued my report thereon dated February 5, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Corrections Commission of Northwest Ohio's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Corrections Commission of Northwest Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Corrections Commission of Northwest Ohio's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of reportable conditions as items 2000-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, of the reportable conditions described above, I consider none to be material weaknesses.

This report is intended solely for the information of Corrections Commission of Northwest Ohio, the Auditor of State of Ohio, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

February 5, 2001

Corrections Commission of Northwest Ohio  
Schedule of Reportable Conditions  
December 31, 2000

2000-1

**Bank Reconciliation**

Condition:

The cash balances in the cash reconciliation report, were not reconciled to the bank reconciliation on a monthly basis.

Criteria:

The bank reconciliation should be reconciled to the accounts maintained in the cash reconciliation report on a monthly basis.

Effect:

The cash reconciliation report for the Inmate ; Grant and Operating account, did not agree with the ending cash balance per the bank reconciliation as of December 31, 1999.

Cause:

Management performed a cash reconciliation on the combined cash of the CCNO.

Recommendation:

To improve control regarding cash accounts, I recommend that reconciliations performed on each bank account, be reconciled to the cash balances maintained on the cash reconciliation report, on a monthly basis. By performing this procedure, the risk of presenting inaccurate financial statements will be significantly reduced.

Auditee's Response:

Monthly reconciliation of bank accounts, will be reconciled to the cash reconciliation report. This procedure will be implemented immediately.

Corrections Commission of Northwest Ohio  
Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2000

99-1

**Bank Accounts**

Condition:

The Intake bank account is not included on the Corrections Commission of Northwest Ohio's accounting system. Therefore, financial data is not properly stated throughout the calendar year.

Recommendation:

To improve control over the bank accounts, I recommend that each bank account be entered into the current accounting system. Thereby, reducing the risk of producing inaccurate financial statements.

Current Status:

This reportable condition has been corrected.

99-2

**Bank Reconciliation**

Condition:

The cash balances in the cash reconciliation report, were not reconciled to the bank reconciliation on a monthly basis.

Recommendation:

To improve control regarding cash accounts, I recommend that reconciliations performed on each bank account, be reconciled to the cash balances maintained on the cash reconciliation report, on a monthly basis. By performing this procedure, the risk of presenting inaccurate financial statements will be significantly reduced.

Current Status:

This reportable condition has been repeated.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**CORRECTIONS COMMISSION OF NORTHWEST OHIO**

**WILLIAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 26, 2001**