



**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2005 AND 2006



Mary Taylor, CPA
Auditor of State

**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

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Mary Taylor, CPA

Auditor of State

Lucas County Correctional Treatment Facility
Lucas County
1100 Jefferson Avenue
Toledo, Ohio 43624-1835

To the Judicial Corrections Board:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 7, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lucas County Correctional Treatment Facility
Lucas County
1100 Jefferson Avenue
Toledo, Ohio 43624-1835

To the Correctional Facility Board:

We have audited the accompanying financial statements of the Lucas County Correctional Treatment Facility, Lucas County, Ohio (the Facility) as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Facility has prepared these financial statements using accounting practices the Ohio Department of Rehabilitation and Corrections prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Facility to reformat its financial statement presentation and make other changes. Instead of the fund statements presented, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately. While the Facility does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. Since the Facility does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Facility uses. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Facility's funds as of June 30, 2006 and 2005, or their changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and unpaid obligations of the Lucas County Correctional Treatment Facility as of June 30, 2006 and 2005, and the related cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2007, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 7, 2007

**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2006**

	State Appropriations and Grants		Offender Funds		Totals
	ODRC 501-501	Federal	Offender Personal Funds	I & E (Telephone and Commissary)	
Cash Receipts:					
Intergovernmental	\$ 3,499,770	\$ 56,439			\$ 3,556,209
Receipts for offenders			\$ 104,393		104,393
Collections from offenders				\$ 8,251	8,251
Commissions				35,394	35,394
Other			666	4,395	5,061
<i>Total Cash Receipts</i>	<u>3,499,770</u>	<u>56,439</u>	<u>105,059</u>	<u>48,040</u>	<u>3,709,308</u>
Cash Disbursements:					
Personnel	2,942,149				2,942,149
Operating costs	335,318	8,090	71,468	4,582	419,458
Program costs	120,580	54,163	13	20,984	195,740
Equipment	805				805
Miscellaneous			4,731		4,731
Offender Disbursements:					
Offender legal obligations/recreation				31,333	31,333
Offender reimbursements/release of funds			1,945		1,945
Offender payments to CBCF/ I & E			18,981		18,981
Offender savings paid at exit			11,625		11,625
<i>Total Cash Disbursements</i>	<u>3,398,852</u>	<u>62,253</u>	<u>108,763</u>	<u>56,899</u>	<u>3,626,767</u>
Disbursements from prior fiscal year (Including refund to ODRC)	189,635	43,374			233,009
<i>Total Receipts Under Disbursements</i>	(88,717)	(49,188)	(3,704)	(8,859)	(150,468)
Fund Cash Balances, July 1, 2005	485,157	43,374	6,171	22,079	556,781
<i>Fund Cash Balances, June 30, 2006</i>	<u>\$ 396,440</u>	<u>\$ (5,814)</u>	<u>\$ 2,467</u>	<u>\$ 13,220</u>	<u>\$ 406,313</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 96,436</u>				

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
FOR THE PERIOD ENDED JUNE 30, 2005**

	State Appropriations and Grants		Offender Funds		Totals
	ODRC 501-501	Federal	Offender Personal Funds	I & E (Telephone and Commissary)	
Cash Receipts:					
Intergovernmental	\$ 3,499,770	\$ 93,000			\$ 3,592,770
Receipts for offenders			\$ 86,216		86,216
Collections from offenders				\$ 7,151	7,151
Commissions				44,342	44,342
Other	2,748		208	215	3,171
<i>Total Cash Receipts</i>	<u>3,502,518</u>	<u>93,000</u>	<u>86,424</u>	<u>51,708</u>	<u>3,733,650</u>
Cash Disbursements:					
Personnel	2,788,066				2,788,066
Operating costs	350,779	9,541	42,133	16,722	419,175
Program costs	153,569	36,152		16,738	206,459
Equipment	10,224	3,933			14,157
Offender Disbursements:					
Offender legal obligations/recreation				12,885	12,885
Offender reimbursements/release of funds			1,848		1,848
Offender payments to CBCF/ I & E			26,520		26,520
Offender savings paid at exit			12,766		12,766
<i>Total Cash Disbursements</i>	<u>3,302,638</u>	<u>49,626</u>	<u>83,267</u>	<u>46,345</u>	<u>3,481,876</u>
Disbursements from prior fiscal year (Including refund to ODRC)	<u>269,423</u>	<u>31,034</u>			<u>300,457</u>
<i>Total Receipts Over/(Under) Disbursements</i>	(69,543)	12,340	3,157	5,363	(48,683)
Fund Cash Balances, July 1, 2004	<u>554,700</u>	<u>31,034</u>	<u>3,014</u>	<u>16,716</u>	<u>605,464</u>
<i>Fund Cash Balances, June 30, 2005</i>	<u>\$ 485,157</u>	<u>\$ 43,374</u>	<u>\$ 6,171</u>	<u>\$ 22,079</u>	<u>\$ 556,781</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 189,635</u>				

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Lucas County Correctional Treatment Facility, Lucas County, (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 capable of housing up to 112 offenders. The Correctional Facility Board administers the Facility. The Board is comprised of common pleas court judges from the County the Facility serves. The Facility serves Lucas County.

For the years ended June 30, 2006 and 2005, the financial statements present all funds related to the Facility.

B. Basis of Accounting

These financial statements follow the basis of accounting the Ohio Department of Rehabilitation and Corrections prescribes or permits, 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 expenditures include amounts disbursed through the following September 30 but chargeable against the preceding year's budget.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

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

D. Fund Accounting

The Facility uses fund accounting to segregate amounts that are restricted as to use. The Facility has the following funds:

STATE APPROPRIATIONS AND GRANTS

Ohio Department of Rehabilitation and Corrections (ODRC) 501-501 Funding: ODRC grants this funding, appropriated from the State's General Fund, to the Facility to support general operating costs.

Federal: Reports amounts received from the Federal government passed through ODRC. The Facility received ABLE and Title I funding for contracting instructors and specialist to aid in the rehabilitation of offenders.

**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

OFFENDER FUNDS

Offender Personal Funds: Are amounts the Facility receives and holds in a custodial capacity for each offender while confined. The Facility holds personal funds 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.

Industrial and Entertainment (I & E) Fund: This fund receives other Offender Funds, such as telephone and commissary commissions, and pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment. The Offender Personal Funds reimburse this Fund for costs chargeable to Offender Personal Funds.

E. Budgetary Process

1. 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.

2. Encumbrances

Disbursements from State appropriations and Grants are subject to the payment approval process of Lucas County. 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 2 include cash disbursed against the current year budget plus amounts spent within ninety days of June 30 to liquidate year-end commitments. Amounts budgeted for commitments not liquidated within ninety days of June 30 are subject to refund to ODRC, unless ODRC approves an extension. (See Note 4.)

A summary of 2006 and 2005 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

The Facility records acquisitions of property, plant, and equipment as capital project or equipment disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Facility uses.

**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2006 and 2005 follows:

2006 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,499,770	\$3,495,288	\$4,482

2005 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,499,770	\$3,492,273	\$7,497

3. COLLATERAL ON DEPOSITS

Grants and State Appropriations

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

Offender Funds

The Facility has Federal Deposit Insurance Corporation coverage of \$100,000 for Offender Funds. There were no uncollateralized amounts at June 30, 2006 and 2005.

4. REFUND TO ODRC

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the 501-501 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 years ending June 30, 2006 and 2005. 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.

**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

4. REFUND TO ODRC – (Continued)

Refund to ODRC		
	2006	2005
Cash, July 1	\$ 485,157	\$ 554,700
Disbursements Against Prior Year Budget	(189,635)	(214,566)
Payable to ODRC, July 1	(18)	(54,658)
<i>Sub-Total</i>	295,504	285,476
501 Cash Receipts	3,499,770	3,499,770
Budgetary Basis Disbursements	(3,495,288)	(3,492,273)
<i>Amount Subject to Refund, June 30</i>	299,986	292,973
One-Twelfth of 501 Award	(291,648)	(291,648)
<i>Refundable to ODRC</i>	\$ 8,338	\$ 1,325

Calculation of Payable to ODRC		
	2006	2005
Payable, July 1	\$ 18	\$ 54,658
Cash Refunded		(55,965)
Refundable to ODRC, June 30	8,338	1,325
<i>Payable, June 30</i>	\$ 8,356	\$ 18

5. RETIREMENT SYSTEM

The Facility's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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. For 2005, OPERS members contributed 8.5 percent of their gross salaries to OPERS. For 2006, OPERS members contributed 8.5 percent from July 2005 through December 2005 and 9 percent from January 2006 through June 2006. The Facility contributed an amount equal to 13.55 percent of participants' gross salaries for 2005 and the first half of fiscal year 2006 and 13.75 percent for the second half of 2006. The Facility has paid all contributions required through June 30, 2006.

6. RISK MANAGEMENT

Commercial Insurance

The Facility is included in Lucas County's commercial insurance policies for the following risks:

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



Mary Taylor, CPA

Auditor of State

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

Lucas County Correctional Treatment Facility
Lucas County
1100 Jefferson Avenue
Toledo, Ohio 43624-1835

To the Correctional Facility Board:

We have audited the financial statements of the Lucas County Correctional Treatment Facility, Lucas County, Ohio (the Facility) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated March 7, 2007, wherein we noted the Facility followed accounting practices the Ohio Department of Rehabilitation and Corrections prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Facility's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Facility's management dated March 7, 2007, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

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Compliance and Other Matters

As part of reasonably assuring whether the Facility's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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*.

We intend this report solely for the information and use of management, the Judicial Corrections Board, and the Ohio Department of Rehabilitation and Corrections. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 7, 2007

**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	MBE spending requirement were not met by the Facility	Yes	
2004-002	Board did not provide sufficient monitoring of Offender Fund Activity	Yes	
2004-003	Detailed ledgers of individual account activity for the Personal Offender Accounts were not available.	Yes	



Mary Taylor, CPA
Auditor of State

LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2007**