LICKING-MUSKINGUM COMMUNITY CORRECTION CENTER
LICKING COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

Mary Taylor, CPA
Auditor of State

LICKING-MUSKINGUM COMMUNITY CORRECTION CENTER
LICKING COUNTY

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Licking-Muskingum Community Correction Center
Licking County
119 East Main Street
Newark, Ohio 43055

To the Members of the Judicial Advisory Board and Facility Governing 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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While the Ohio Department of Rehabilitations and Corrections (ODRC) does not require your Center 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 adverse 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 ODRC prescribes or permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 28, 2008

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Licking-Muskingum Community Correction Center
Licking County
119 East Main Street
Newark, Ohio 43055

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

We have audited the accompanying financial statements of the Licking-Muskingum Community Correction Center, Licking County, Ohio, (the Center) as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the Center'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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Center 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the Center 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. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Center uses. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2008 and 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Center as of June 30, 2008 and 2007 or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances and unpaid obligations of the Licking-Muskingum Community Correction Center, Licking County, Ohio, as of June 30, 2008 and 2007, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Center has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2008, on our consideration of the Center'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. 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.

Mary Taylor, CPA
Auditor of State

November 28, 2008

LICKING-MUSKINGUM COMMUNITY CORRECTION CENTER
LICKING COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES FOR THE YEAR ENDED JUNE 30, 2008

	State Appropriations and Grants	Offender Funds		
	ODRC 501-501	Offender Personal Funds	Telephone Commissions	Totals
Cash Receipts:				
Intergovernmental	$ 1,818,988	$ -	$ -	$ 1,818,988
Receipts for offenders	-	130,271	-	130,271
Commissions	-	-	27,076	27,076
Reimbursement	1,997	-	-	1,997
Total Cash Receipts	1,820,985	130,271	27,076	1,978,332
Cash Disbursements:				
Personnel	1,453,337	-	-	1,453,337
Operating costs	199,624	-	22,597	222,221
Program costs	35,605	-	4,502	40,107
Equipment	34,785	-	1,801	36,586
Offender Disbursements:				
Offender legal obligations	-	22,419	-	22,419
Offender reimbursements	-	75,963	-	75,963
Offender payments upon release	-	35,826	-	35,826
Total Cash Disbursements	1,723,351	134,208	28,900	1,886,459
Disbursements from prior FY (Including refund to ODRC)	29,836	-	-	29,836
Total Receipts Over/(Under) Disbursements	67,798	(3,937)	(1,824)	62,037
Fund Cash Balances, July 1, 2007	169,849	5,967	11,806	187,622
Fund Cash Balances, June 30, 2008	$ 237,647	$ 2,030	$ 9,982	$ 249,659
Unpaid Obligations/Open Purchase Orders	$ 97,584			

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

LICKING-MUSKINGUM COMMUNITY CORRECTION CENTER
LICKING COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	State Appropriations and Grants	Offender Funds		
	ODRC 501-501	Offender Personal Funds	Telephone Commissions	Totals
Cash Receipts:				
Intergovernmental	$ 1,725,988	$ -	$ -	$ 1,725,988
Receipts for offenders	-	186,238	-	186,238
Commissions	-	-	35,868	35,868
Reimbursement	3,748	-	-	3,748
Total Cash Receipts	1,729,736	186,238	35,868	1,951,842
Cash Disbursements:				
Personnel	1,449,517	-	-	1,449,517
Operating costs	207,876	-	20,454	228,330
Program costs	40,076	-	4,006	44,082
Equipment	-	-	11,264	11,264
Offender Disbursements:				
Offender legal obligations	-	33,258	-	33,258
Offender reimbursements	-	117,875	-	117,875
Offender payments upon release	-	33,308	-	33,308
Total Cash Disbursements	1,697,469	184,441	35,724	1,917,634
Disbursements from prior FY (Including refund to ODRC)	118,438	-	-	118,438
Total Receipts Over/(Under) Disbursements	(86,171)	1,797	144	(84,230)
Fund Cash Balances, July 1, 2006	256,020	4,170	11,662	271,852
Fund Cash Balances, June 30, 2007	$ 169,849	$ 5,967	$ 11,806	$ 187,622
Unpaid Obligations/Open Purchase Orders	$ 32,550			

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Licking-Muskingum Community Correction Center, Licking County, Ohio, (the Center) provides an alternative to prison incarceration for felony offenders. The Center is the last step in the continuum of increasing punishment before prison incarceration. The Center is a minimum security operation housing approximately 55 offenders. A Facilities Governing Board oversees the Center's operations. Common pleas judges from the Counties the Center serves comprise a Judicial Advisory Board. The Judicial Advisory Board appoints two-thirds of the members of the Center Governing Board and advises the Facilities Governing Board regarding Center matters. The Board includes at least one common pleas court judge from each county the Center serves. The Center serves the following counties:

LICKING	KNOX
RICHLAND	MUSKINGUM

For the year ended June 30, 2008, the financial statement presents all funds related to the Center.

B. Basis of Accounting

These financial statements follow the basis of accounting the Ohio Department of Rehabilitation and Corrections prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Center recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements adequately disclose material matters the Ohio Department of Rehabilitation and Corrections requires.

C. Cash

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

D. Fund Accounting

The Center uses fund accounting to segregate amounts that are restricted as to use. The Center 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 Center to support general operating costs.

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Offender Funds

Telephone Commissions: Reports amounts received from telephone commissions generated by calls offenders place to locations outside the Center. The Center spends this money for programs and services benefiting the offenders.

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

E. Budgetary Process

1. Appropriations

The Center 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 Center cannot spend or obligate (i.e., encumber) more than the appropriation. Centers must obtain approval from ODRC to transfer amounts between budget categories.

2. Encumbrances

Disbursements from State appropriations and Grants are subject to Licking County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Center 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 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 2008 and 2007 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

The Center records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these acquisitions as assets.

G. 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.

2. Budgetary Activity

Budgetary activity for ODRC 501-501 funding for the years ending June 20, 2008 and 2007 follows:

2008 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
$1,818,989	$1,818,938	$51

2007 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
$1,725,989	$1,723,557	$2,432

3. 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 Center.

OFFENDER FUNDS

Deposits

The Center has Federal Deposit Insurance Corporation coverage of $100,000 for Offender Funds.

4. Refund To ODRC

The agreement between the County and ODRC permits the Center to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Center must refund any excess over this amount to ODRC. The schedule below computes the refund to ODRC for the years 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 Center refunds amounts computed below in the fiscal year following the computation below.

4. Refund To ODRC (Continued)

Refund to ODRC

	2008	2007
Cash, July 1	$169,849	$256,020
Disbursements Against Prior Year Budget	($29,836)	($61,297)
Payable to ODRC, July 1	0	($57,141)
Sub-Total	$140,013	$137,582
501 Cash Receipts	1,818,988	1,725,988
Budgetary Basis Disbursements	(1,818,938)	(1,723,557)
Amount Subject to Refund, June 30	$140,063	140,013
One-Twelfth of 501 Award	(151,582)	(143,832)
Refundable to ODRC	($11,519)	($3,819)

Calculation of Payable to ODRC

	2008	2007
Payable, July 1	0	57,141
Cash Refunded	0	(57,141)
Refundable to ODRC, June 30	0	0
Payable, June 30	0	0

5. Retirement Systems

The Center's employees belong to the Ohio Public Employees Retirement System (OPERS). The Ohio Revised Code prescribes plan benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5 percent of their gross salaries and the Center contributed an amount equaling 14 and 13.85 percent, respectively, of participants' gross salaries. The Center has paid all contributions required through June 30, 2008.

6. Risk Management

Commercial Insurance

The Center has obtained commercial insurance for the following risks:

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

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

Licking-Muskingum Community Correction Center
Licking County
119 East Main Street
Newark, Ohio 43055

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

We have audited the financial statements of the Licking-Muskingum Community Correction Center, Licking County, Ohio, (the Center) as of and for the years ended June 30, 2008 and June 30, 2007, and have issued our report thereon dated November 28, 2008, wherein we noted the Center followed accounting practices the Ohio Department of Rehabilitations 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Center's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the Center's management in a separate letter dated November 28, 2008.

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Compliance and Other Matters

As part of reasonably assuring whether the Center'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 the audit committee, management, Judicial Advisory Board and the Facility Governing Board. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 28, 2008

Mary Taylor, CPA
Auditor of State

LICKING-MUSKINGUM COMMUNITY CORRECTION CENTER

LICKING 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
FEBRUARY 3, 2009

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