

**CORRECTIONS COMMISSION OF
NORTHWEST OHIO**

WILLIAMS COUNTY

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA

Auditor of State

Members of the Commission
Corrections Commission of Northwest Ohio
3151 Road 2425
Route 1, Box 100-A
Stryker, Ohio 43557

We have reviewed the *Independent Auditor's Report* of the Corrections Commission of Northwest Ohio, Williams County, prepared by Lublin Sussman Group LLP, for the audit period January 1, 2005 through December 31, 2006. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

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

Mary Taylor, CPA
Auditor of State

August 24, 2007

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PROPRIETARY FUND TYPE:

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INDEPENDENT AUDITOR'S REPORT

Members of the Commission
Corrections Commission of Northwest Ohio
Williams County
3151 Road 2425
Route 1, Box 100-A
Stryker, Ohio 43557

To the Members of the Commission:

We have audited the accompanying combined statements of cash and cash equivalents and fund cash balances - all fund types, combined statement of cash receipts, cash disbursements, and changes in fund cash balances, receipts - budget versus actual, and disbursements and encumbrances compared with expenditure authority for each fund of the Corrections Commission of Northwest Ohio, Williams County (the Commission) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined 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 audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Commission prepares its financial statements using accounting practices prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America (GAAP). The effects on the financial statements of these variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Revisions to GAAP would require the Commission to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds for 2006 and 2005. While the Commission does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Commission has elected to not reformat its statements. Since the Commission 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 Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

www.lublinsussman.com

Douglas J. Welch, CPA, CVA
Lee D. Wunschel, CPA
Thomas J. Jaffee, JD, CPA
Terri S. Lee, CPA

Members:
American Institute of Certified Public Accountants
AICPA—Private Companies Practice Section
Ohio Society of Certified Public Accountants

The aforementioned revision to generally accepted accounting principles also requires the Commission to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Commission 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 a part of, the financial statements.

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 Commission as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Corrections Commission of Northwest Ohio, Williams County, Ohio, as of and for the years ending December 31, 2006 and 2005, and the related combined cash receipts and disbursements for the years then ended on the accounting basis described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2007 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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 and should be considering in assessing the results of our audits.

RublinSussman Group LLP
June 15, 2007
Toledo, Ohio

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS AND
FUND CASH BALANCES - ALL FUND TYPES
FOR THE YEARS ENDED DECEMBER 31

	<u>2006</u>	<u>2005</u>
Pooled Cash and Investments:		
Cash and Cash Equivalents	\$ 2,972,837	\$ 3,408,571
Cash on Hand	200	200
Investments	<u>218,803</u>	<u>174,652</u>
Total	<u>3,191,840</u>	<u>3,583,423</u>
 Cash Balances by Fund Types:		
Governmental Fund Type:		
General Fund	\$ 2,792,711	\$ 3,000,072
Special Revenue Funds	3,064	17,296
 Proprietary Fund Type:		
Enterprise Fund	<u>396,065</u>	<u>566,055</u>
Total	<u>\$ 3,191,840</u>	<u>\$ 3,583,423</u>

See Notes to Financial Statements

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Types</u>	<u>Totals (Memo. Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	
Cash Receipts:				
Multi-Jurisdictional	\$ 14,252,307	\$ 0	\$ 0	\$ 14,252,307
Rental Revenue	54,567	0	0	54,567
Grant Revenue	0	197,313	0	197,313
Interest Income	41,117	0	3,694	44,811
Commissary Revenue	0	0	59,191	59,191
Telephone Commission	397,061	0	0	397,061
Miscellaneous Income	<u>239,465</u>	<u>0</u>	<u>348,767</u>	<u>588,232</u>
Total Cash Receipts	<u>14,984,517</u>	<u>197,313</u>	<u>411,652</u>	<u>15,593,482</u>
 Cash Disbursements:				
Salary, Wages and Benefits	10,223,425	189,864	331,662	10,744,951
Education, Training, Memberships and Dues	31,945	0	0	31,945
Insurance	332,172	0	3,241	335,413
Travel	8,956	8,008	3,310	20,274
Supply Expense	301,473	1,262	47,560	350,295
Contract Services	2,912,271	0	112,063	3,024,334
Postage Service	4,402	0	3,290	7,692
Utilities	626,033	0	8,284	634,317
Clothing and Linen	106,452	0	22,854	129,306
Repairs & Maintenance	96,507	0	2,046	98,553
Personnel Recruitment	19,075	0	0	19,075
Professional Services	143,338	0	19,139	162,477
Dry Cleaning	70,160	0	2,212	72,372
Non Capital Equipment	45,993	0	4,418	50,411
Capital Outlay	<u>269,676</u>	<u>12,411</u>	<u>21,563</u>	<u>303,650</u>
Total Cash Disbursements	<u>15,191,878</u>	<u>211,545</u>	<u>581,642</u>	<u>15,985,065</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	(207,361)	(14,232)	(169,990)	(391,583)
 Fund Cash Balance - January 1, 2006	<u>3,000,072</u>	<u>17,296</u>	<u>566,055</u>	<u>3,583,423</u>
Fund Cash Balance - December 31, 2006	<u>\$ 2,792,711</u>	<u>\$ 3,064</u>	<u>\$ 396,065</u>	<u>\$ 3,191,840</u>

See Notes to Financial Statements

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types		Proprietary Fund Types	Totals (Memo. Only)
	General	Special Revenue	Enterprise	
Cash Receipts:				
Multi-Jurisdictional	\$ 13,289,947	\$ 0	\$ 0	\$ 13,289,947
Rental Revenue	218,977	0	0	218,977
Grant Revenue	0	265,502	0	265,502
Interest Income	37,590	0	3,601	41,191
Commissary Revenue	0	0	91,791	91,791
Telephone Commission	345,180	0	0	345,180
Miscellaneous Income	<u>347,178</u>	<u>0</u>	<u>272,669</u>	<u>619,847</u>
Total Operating Cash Receipts	<u>14,238,872</u>	<u>265,502</u>	<u>368,061</u>	<u>14,872,435</u>
 Cash Disbursements:				
Salary, Wages and Benefits	9,564,288	210,641	72,153	9,847,082
Education, Training, Memberships and Dues	28,008	0	0	28,008
Insurance	350,264	0	2,149	352,413
Travel	13,838	4,451	7,050	25,339
Supply Expense	283,535	4,734	57,298	345,567
Contract Services	2,830,206	0	24,731	2,854,937
Postage Service	4,826	0	2,628	7,454
Utilities	581,909	375	5,552	587,836
Clothing and Linen	126,181	0	18,575	144,756
Repairs & Maintenance	62,727	10,439	1,364	74,530
Personnel Recruitment	12,994	0	0	12,994
Professional Services	157,141	0	20,119	177,260
Dry Cleaning	71,962	180	60	72,202
Non Capital Equipment	48,669	2,133	7,323	58,125
Capital Outlay	<u>301,254</u>	<u>35,802</u>	<u>21,575</u>	<u>358,631</u>
Total Operating Cash Disbursements	<u>14,437,802</u>	<u>268,755</u>	<u>240,577</u>	<u>14,947,134</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 (198,930)	 (3,253)	 127,484	 (74,699)
 Fund Cash Balance - January 1, 2005 as Previously Reported	 2,811,459	 20,549	 438,571	 3,270,579
 Prior Period Adjustment (Note 7)	 <u>387,543</u>	 <u>0</u>	 <u>0</u>	 <u>387,543</u>
 Fund Cash Balance - January 1, 2005 Restated	 <u>\$ 3,199,002</u>	 <u>\$ 20,549</u>	 <u>\$ 438,571</u>	 <u>\$ 3,658,122</u>
 Fund Cash Balance - December 31, 2005	 <u>\$ 3,000,072</u>	 <u>\$ 17,296</u>	 <u>\$ 566,055</u>	 <u>\$ 3,583,423</u>

See Notes to Financial Statements

CORRECTIONS COMMISSION OF NORTHWEST OHIO
 WILLIAMS COUNTY
 COMBINED STATEMENT OF RECEIPTS
 BUDGET VERSUS ACTUAL
 FOR THE YEARS ENDED DECEMBER 31

	2006		2005		Variance:
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Governmental Fund Types:					
General Fund	\$15,566,406	\$14,984,517	\$14,777,284	\$14,238,872	\$ (538,412)
Special Revenue Funds	<u>293,427</u>	<u>197,313</u>	<u>356,332</u>	<u>265,502</u>	<u>(90,830)</u>
	15,859,833	15,181,830	15,133,616	14,504,374	(629,242)
Proprietary Fund Types:					
Enterprise Funds	<u>821,368</u>	<u>411,652</u>	<u>307,804</u>	<u>368,061</u>	<u>60,257</u>
Total	<u>\$16,681,201</u>	<u>\$15,593,482</u>	<u>\$15,441,420</u>	<u>\$14,872,435</u>	<u>\$ (568,985)</u>

See Notes to Financial Statements

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2006

	Prior Year Carryover	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding at 12/30/06	Total	Variance: Favorable (Unfavorable)
Governmental Fund Types:							
General Fund	\$ 329,051	\$ 15,566,406	\$ 15,895,457	\$ 15,191,878	\$ 440,336	\$ 15,632,214	\$ 263,243
Special Revenue Funds	3,774	293,427	297,201	211,545	2,900	214,445	82,756
	<u>43,497</u>	<u>821,368</u>	<u>864,865</u>	<u>581,642</u>	<u>22,834</u>	<u>604,476</u>	<u>260,389</u>
Proprietary Fund Types:							
Enterprise Funds	\$ 376,322	\$ 16,681,201	\$ 17,057,523	\$ 15,985,065	\$ 466,070	\$ 16,451,135	\$ 606,388
Total (Memorandum Only)							

See Notes to Financial Statements

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2005

	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/30/05	Total	Variance: Favorable (Unfavorable)
Governmental Fund Types:							
General Fund	\$ 424,230	\$ 14,777,284	\$ 15,201,514	\$ 14,437,802	\$ 329,051	\$ 14,766,853	\$ 434,661
Special Revenue Funds	2,462	356,332	358,794	268,755	3,774	272,529	86,265
	<u>4,835</u>	<u>307,804</u>	<u>312,639</u>	<u>240,577</u>	<u>43,497</u>	<u>284,074</u>	<u>28,565</u>
Proprietary Fund Types:							
Enterprise Funds	<u>431,527</u>	<u>15,441,420</u>	<u>15,872,947</u>	<u>14,947,134</u>	<u>376,322</u>	<u>15,323,456</u>	<u>549,491</u>
Total (Memorandum Only)							

See Notes to Financial Statements

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

DESCRIPTION OF THE ENTITY

The Corrections Commission of Northwest Ohio, Williams County, (the Commission), is a public entity organized September 30, 1987, under § 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 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Commission recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when the liability is incurred.

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

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.

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

GOVERNMENTAL FUND TYPES

Government funds are those through which most governmental functions of the Commission are financed. The following are the Commission's governmental fund types:

General Fund

The general fund is the operating fund of the Commission. It is used to account for all financial resources except those required by law or contract to be accounted for in other funds.

Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUND TYPE

Proprietary funds are 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

Enterprise funds account for operations which are financed and operated in a manner similar to private business enterprises and for which the Commission intends to support a material portion of the operating costs with user charges.

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.

BUDGETARY PROCESS

The Commission is not required to follow the budgetary requirements under Ohio Revised Code Chapter 5705. However, the Commission does perform annual budgetary procedures for all funds.

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ESTIMATED RESOURCES

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

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.

ENCUMBRANCES

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain compliance. Encumbrances plus expenditures may not exceed appropriations at the legal level of control.

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.

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 basis of accounting used by the Commission.

CASH AND INVESTMENTS

To improve cash management, cash received by the Commission is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Commission records. Interest in the pool is presented as Cash and Cash Equivalents.

During years 2006 and 2005, the Commission's investments included federal agency securities and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 are recorded at fair market value.

Investments of the Commission's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Commission are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND INVESTMENTS (CONTINUED)

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

(2) DEPOSITS AND INVESTMENTS

Monies held by the Commission are classified by State statute into three categories.

Active deposits are public monies necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Commission treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Commission has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook savings accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by saving or deposit accounts, including passbook accounts.

Interim monies held by the Commission can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CONTINUED)

(2) DEPOSITS AND INVESTMENTS (CONTINUED)

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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Commission, and must be purchased with the expectation that it will be held to maturity.

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 Fiscal Manager or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institution

Custodial credit risk for deposits is the risk that in the event of bank failure, the Commission will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2006 and 2005, \$2,678,033 and \$3,129,229 respectively, of the Commission's bank balance of \$2,778,033 and \$3,229,229, respectively, was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Commission's name.

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CONTINUED)

(2) DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits with Financial Institution (Continued)

The Commission has no policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Commission or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

As of December 31, 2006, the Commission had the following investments and maturities:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (In Years)</u>			
			<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
STAR Ohio	\$ 5,652	AAAm	\$ 5,652	\$ 0	\$ 0	\$ 0
FHLM	49,512	AAA	0	24,928	24,584	0
FFCB	24,445	AAA	0	0	24,445	0
FHLB	109,875	AAA	34,617	24,758	50,500	0
FNMA	29,319	AAA	0	0	29,319	0
Total	<u>\$ 218,803</u>		<u>\$ 40,269</u>	<u>\$ 49,686</u>	<u>\$ 128,848</u>	<u>\$ 0</u>

As of December 31, 2005, the Commission had the following investments and maturities:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (In Years)</u>			
			<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
STAR Ohio	\$ 5,383	AAAm	\$ 5,383	\$ 0	\$ 0	\$ 0
FHLB	69,613	AAA	20,019	49,594	0	0
FNMA	99,656	AAA	0	0	0	99,656
Total	<u>\$ 174,652</u>		<u>\$ 25,402</u>	<u>\$ 49,594</u>	<u>\$ 0</u>	<u>\$ 99,656</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Commission's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Commission, and that an investment must be purchased with the expectation that it will be held 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CONTINUED)

(2) DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk: Standard & Poor's has assigned the federal agency securities AAA ratings. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: The Commission places no limits on the amount that may be invested in one issuer. The following table includes the percentage of each investment type held by the Commission at December 31, 2006 and 2005:

<u>Investment Type</u>	<u>2006</u> <u>Fair Value</u>	<u>% of Total</u>	<u>2005</u> <u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 5,652	3	\$ 5,383	3
FHLM	49,512	23	0	0
FFCB	24,445	11	0	0
FHLB	109,875	50	69,613	40
FNMA	29,319	13	99,656	57
Total	<u>\$ 218,803</u>	<u>100</u>	<u>\$ 174,652</u>	<u>100</u>

C. Reconciliation of Cash and Investments to the Statement of Cash and Cash Equivalents and Fund Cash Balances

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of cash and cash equivalents and fund cash balances as of December 31, 2006 and 2005:

	December 31, 2006	December 31, 2005
<u>Cash and Investments per footnote</u>		
Deposits	\$ 2,973,037	\$ 3,408,771
Investments	<u>218,803</u>	<u>174,652</u>
Total	<u>\$ 3,191,840</u>	<u>\$ 3,583,423</u>
	December	December
<u>Cash and Investments per Statement of Net Assets</u>	<u>31, 2006</u>	<u>31, 2005</u>
Governmental Type Activities	\$ 2,795,775	\$ 3,017,368
Business Type Activities	<u>396,065</u>	<u>566,055</u>
Total	<u>\$ 3,191,840</u>	<u>\$ 3,583,423</u>

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CONTINUED)

(3) DEFINED BENEFIT PENSION PLANS

The Commission's full time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9.0 percent and 8.5 percent, respectively, of their wages. The Commission contributed an amount equal to 13.70 percent (2006) and 13.55 percent (2005) of participants' gross salaries. Contributions amounted to \$932,854 and \$821,651 for the years ended December 31, 2006 and 2005, respectively. The Corrections Commission of Northwest Ohio has paid all contributions required through December 31, 2006 and 2005.

(4) RISK MANAGEMENT

A. Commercial 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.

Claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from prior years.

B. Self Insurance

The Commission was self insured for medical, prescription drug, and dental benefits to employees. The Commission has established a separate investment account to record and finance the medical, prescription drug, and dental benefits program.

A comparison of self insurance fund cash and investments to the actuary-measured liability as of December 31, 2006 and 2005 follows:

	<u>2006</u>	<u>2005</u>
Cash and investments	\$ 570,505	\$ 527,538
Actuarial liabilities	\$ 521,666	\$ 477,193

(5) LEASE COMMITMENTS

The Commission entered into a noncancelable operating lease agreement for electronic monitoring equipment effective November 21, 2005 through February 28, 2009. The future minimum lease commitments on the noncancelable lease as of December 31, 2006 are as follows:

2007	\$61,206
2008	\$66,770
2009	\$11,128

Total lease expense for the year ended December 31, 2006 was \$61,206.

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 (CONTINUED)

(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 Commissioners believe such disallowances, if any, will be immaterial.

(7) PRIOR PERIOD ADJUSTMENT

During the years ended December 31, 2006 and 2005 management discovered the investments in the self insured account were not adjusted to the ending fair market value. As a result, the financial statements for the year ended December 31, 2004 have been restated to include this correction.

The cumulative effect of the restatement at December 31, 2005 resulted in a net increase of \$273,257 to cash and investments and an increase of \$114,286 to salary, wages & benefits expense. The total of \$387,543 is the effect on net assets for the year ended December 31, 2004.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board
Corrections Commission of Northwest Ohio
3151 Road 2425
Route 1, Box 100-A
Stryker, Ohio 43557

To the Members of the Commission:

We have audited the financial statements of Corrections Commission of Northwest Ohio (the Commission) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 15, 2007, in which we noted that the Commission prepares its financial report on a basis of accounting formally prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. 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 audits, we considered Corrections Commission of Northwest Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corrections Commission of Northwest Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 the normal course of 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 organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corrections Commission of Northwest Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Corrections Commission of Northwest Ohio of Williams County in a separate letter dated June 15, 2007.

This report is intended solely for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Lublin Sussman Group LLP

June 15, 2007
Toledo, Ohio

CORRECTIONS COMMISSION OF NORTHWEST OHIO
WILLIAMS COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-1	Material Weakness: Budget adjustment forms were not always properly approved prior to Board approval. There were several Budget Adjustments which were not supported by appropriate documentation.	Yes	All budget modifications were approved by the Fiscal Agent and the Executive Director.
2004-2	Material Weakness: A negative appropriation balance was recorded on the "Budget Account Summary" as of January 2004. As a result, the actual expenditure exceeded the appropriation line item.	Yes	Expenditures did not exceed appropriations.
2003-1	Material Weakness: Bank accounts were not reconciled to the monthly receipts and disbursements reports. As a result, the ending book cash balance did not agree to the actual cash balance in the bank.	Yes	Bank accounts are reconciled to the monthly receipts and disbursements reports.
2003-2	Material Weakness: Budget adjustment forms were not always properly approved prior to Board approval. There were several Budget adjustments which were not supported by appropriate documentation.	Yes	All budget modifications were approved by the Fiscal Agent and Executive Director.
2003-3	Material Weakness: A negative appropriation balance was recorded on the "Budget Account Summary" for the months of November and December.	Yes	Negative appropriations were not recorded on the "Budget Account Summary".



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 11, 2007**