



**LICKING-MUSKINGUM COMMUNITY CORRECTION CENTER
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2006 AND 2005



Mary Taylor, CPA
Auditor of State

LICKING-MUSKINGUM COMMUNITY CORRECTION CENTER
LICKING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Funds – For the Period Ended June 30, 2006	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Funds – For the Period Ended June 30, 2005	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Prior Audit Findings	15

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Mary Taylor, CPA
Auditor of State

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

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 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 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 14, 2007

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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 Judicial Corrections 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, 2006 and 2005. 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 Correction 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 Center 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 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. Since the Center 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 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 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 Center's funds as of June 30, 2006 and 2005, or their changes in financial position 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 Licking-Muskingum Community Correction Center, Licking County, Ohio 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 February 14, 2007, 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. 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

February 14, 2007

**LICKING-MUSKINGUM COMMUNITY CORRECTION CENTER
LICKING 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	Offender Personal Funds	Telephone Commissions	
Cash Receipts:				
Intergovernmental	\$ 1,650,989	\$ -	\$ -	\$ 1,650,989
Receipts for offenders	-	187,311	-	187,311
Commissions	-	-	33,942	33,942
Reimbursements	4,347	-	-	4,347
Total Cash Receipts	1,655,336	187,311	33,942	1,876,589
Cash Disbursements:				
Personnel	1,307,408	-	-	1,307,408
Operating costs	195,593	-	40,366	235,959
Program costs	73,381	-	3,999	77,380
Equipment	1,695	-	-	1,695
Offender Disbursements:				
Offender legal obligations	-	34,894	-	34,894
Offender reimbursements	-	124,413	-	124,413
Offender savings paid at exit	-	34,406	-	34,406
Total Cash Disbursements	1,578,077	193,713	44,365	1,816,155
Disbursements from prior FY (Including refund to ODRC)	43,780	-	-	43,780
Total Receipts Over/(Under) Disbursements	33,479	(6,402)	(10,423)	16,654
Fund Cash Balances, July 1, 2005	222,541	10,572	22,085	255,198
Fund Cash Balances, June 30, 2006	<u>\$ 256,020</u>	<u>\$ 4,170</u>	<u>\$ 11,662</u>	<u>\$ 271,852</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 61,297</u>			

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 PERIOD ENDED JUNE 30, 2005**

	State Appropriations and Grants	Offender Funds		Totals
	ODRC 501-501	Offender Personal Funds	Telephone Commissions	
Cash Receipts:				
Intergovernmental	\$ 1,650,989	\$ -	\$ -	\$ 1,650,989
Receipts for offenders	-	193,405	-	193,405
Reimbursements	-	107	-	107
Commissions	-	-	33,656	33,656
Reimbursements	8,621	-	-	8,621
Total Cash Receipts	1,659,610	193,512	33,656	1,886,778
Cash Disbursements:				
Personnel	1,276,405	-	-	1,276,405
Operating costs	202,245	-	18,705	220,950
Program costs	74,841	-	4,253	79,094
Equipment	22,552	-	9,157	31,709
Offender Disbursements:				
Offender legal obligations	-	33,811	-	33,811
Offender reimbursements	-	135,005	-	135,005
Offender savings paid at exit	-	39,993	-	39,993
Total Cash Disbursements	1,576,043	208,809	32,115	1,816,967
Disbursements from prior FY (Including refund to ODRC)	242,609	-	-	242,609
Total Receipts Over/(Under) Disbursements	(159,042)	(15,297)	1,541	(172,798)
Fund Cash Balances, July 1, 2004	381,583	25,869	20,544	427,996
Fund Cash Balances, June 30, 2005	<u>\$ 222,541</u>	<u>\$ 10,572</u>	<u>\$ 22,085</u>	<u>\$ 255,198</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 43,780</u>			

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

**LICKING-MUSKINGUM COMMUNITY CORRECTION CENTER
LICKING COUNTY**

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

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 53 offenders. The Judicial Corrections Board administers the Center. The Board is comprised of common pleas court judges from the Counties the Center serves. 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, 2006, 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 Auditor of State 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' 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.

Offender Funds

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

**LICKING-MUSKINGUM COMMUNITY CORRECTION CENTER
LICKING COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

D. Fund Accounting (Continued)

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 2006 and 2005 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

The Center records acquisition of property, plant and equipment are recorded as capital project disbursements when paid. The financial statements do not report these items as assets.

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 Center uses.

2. BUDGETARY ACTIVITY

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

**LICKING-MUSKINGUM COMMUNITY CORRECTIO CENTER
LICKING COUNTY**

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

2. BUDGETARY ACTIVITY (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
<u>\$1,650,989</u>	<u>\$1,639,374</u>	<u>\$11,615</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures		
Budgeted	Budgetary Expenditures	Variance
<u>\$1,650,989</u>	<u>\$1,619,823</u>	<u>\$31,166</u>

3. COLLATERAL ON DEPOSITS

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. However, at June 30, 2006, the Center has a payable to ODRC for \$57,141. The Center plans to remit the amount to ODRC in fiscal 2007.

**LICKING-MUSKINGUM COMMUNITY CORRECTIO CENTER
LICKING 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	\$222,541	\$381,583
Disbursements Against Prior Year Budget	(\$43,780)	(\$92,759)
Payable to ODRC, July 1	(\$41,179)	(\$149,850)
Sub-Total	\$137,582	\$138,974
501 Cash Receipts	1,650,989	1,650,989
Budgetary Basis Disbursements	(1,635,027)	(1,611,202)
Amount Subject to Refund, June 30	\$153,544	178,761
One-Twelfth of 501 Award	(137,582)	(137,582)
Refundable to ODRC	\$15,962	\$41,179

Calculation of Payable to ODRC		
	2006	2005
Payable, July 1	41,179	149,850
Cash Refunded	-	(149,850)
Refundable to ODRC, June 30	15,962	41,179
Payable, June 30	57,141	41,179

5. RETIREMENT SYSTEM

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 2006 and 2005, OPERS members contributed 8.5 percent of their gross salaries to OPERS. The Center contributed an amount equal to 13.55 percent of participants' gross salaries. The Center has paid all contributions required through June 30, 2006.

6. RISK MANAGEMENT

Commercial Insurance

The Center has obtained commercial insurance for the following risks:

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

**LICKING-MUSKINGUM COMMUNITY CORRECTIO CENTER
LICKING COUNTY**

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

7. SUBSEQUENT EVENT

Effective October, 2006, the Judicial Corrections Board was retitled the Judicial Advisory Board, composed of a minimum of three Common Pleas Court judges from the participating counties. Also effective October, 2006, a Facility Governing Board, composed of at least six members, began governing the Facility. The participating counties' commissioners appoint one third of the Board and the Judicial Advisory Board appoints the remaining governing board members. The Judicial Advisory Board advises the Facility Governing Board regarding community safety needs, standards for screening and admitting offenders, hiring the director and other general facility requirements.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Judicial Corrections 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, 2006 and June 30, 2005, and have issued our report thereon dated February 14, 2007, wherein we noted the Center followed accounting practices the Ohio Department of Rehabilitation and Corrections prescribes 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 Center'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.

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*.

Licking-Muskingum Community Correction Center
Licking County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 14, 2007

LICKING-MUSKINGUM COMMUNITY CORRECTION CENTER
LICKING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 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	Lack of adequate accounting records maintained for Offender Personal Fund receipts and disbursements	Yes	



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
APRIL 10, 2007