



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

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**



**Dave Yost • Auditor of State**



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

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# Dave Yost • Auditor of State

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

To the Members of the Judicial Advisory Board and Facilities 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 Correction (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.

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**Dave Yost**  
Auditor of State

March 2, 2011

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# Dave Yost • 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 Licking-Muskingum Community Correction Center, Licking County, Ohio, (the Center) as of and for the years ended June 30, 2010 and 2009. 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 (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, 2010 and 2009 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, 2010 and 2009 or its 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 cash balances and unpaid obligations of Licking Muskingum Community Correction Center, Licking County, Ohio, as of June 30, 2010 and 2009, 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 March 2, 2011, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

March 2, 2011

**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, 2010**

	State Appropriations and Grants	Offender Funds		Totals
	ODRC 501-501	Offender Personal Funds	Telephone Commissions	
<b>Cash Receipts:</b>				
Intergovernmental	\$ 2,008,489	\$ -	\$ -	\$ 2,008,489
Receipts for offenders	-	104,156	-	104,156
Commissions	-	-	33,824	33,824
Reimbursement	835	-	50	885
<b>Total Cash Receipts</b>	<b>2,009,324</b>	<b>104,156</b>	<b>33,874</b>	<b>2,147,354</b>
<b>Cash Disbursements:</b>				
Personnel	1,548,740	-	-	1,548,740
Operating costs	196,778	-	27,377	224,155
Program costs	19,203	-	4,581	23,784
Equipment	-	-	200	200
Offender Disbursements:				
Offender legal obligations	-	11,426	-	11,426
Offender reimbursements	-	79,214	-	79,214
Offender savings paid at exit	-	16,915	-	16,915
<b>Total Cash Disbursements</b>	<b>1,764,721</b>	<b>107,555</b>	<b>32,158</b>	<b>1,904,434</b>
Disbursements from prior FY (Including refund to ODRC)	35,941	-	-	35,941
<b>Total Receipts Over/(Under) Disbursements</b>	<b>208,662</b>	<b>(3,399)</b>	<b>1,716</b>	<b>206,979</b>
Fund Cash Balances, July 1, 2009	188,414	4,925	4,482	197,821
Fund Cash Balances, June 30, 2010	<u>\$ 397,076</u>	<u>\$ 1,526</u>	<u>\$ 6,198</u>	<u>\$ 404,800</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 238,367</u>			

The notes to the financial statements are an intergral 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, 2009**

	State Appropriations and Grants	Offender Funds		Totals
	ODRC 501-501	Offender Personal Funds	Telephone Commissions	
<b>Cash Receipts:</b>				
Intergovernmental	\$ 1,805,989	\$ -	\$ -	\$ 1,805,989
Receipts for offenders	-	106,294	-	-
Commissions	-	-	36,924	36,924
Reimbursement	1,402	-	-	1,402
<b>Total Cash Receipts</b>	<b>1,807,391</b>	<b>106,294</b>	<b>36,924</b>	<b>1,844,315</b>
<b>Cash Disbursements:</b>				
Personnel	1,476,600	-	-	1,476,600
Operating costs	229,100	-	32,203	261,303
Program costs	26,603	-	2,872	29,475
Equipment	27,247	-	7,349	34,596
Offender Disbursements:				
Offender legal obligations	-	10,284	-	10,284
Offender reimbursements	-	79,774	-	79,774
Offender savings paid at exit	-	13,341	-	13,341
<b>Total Cash Disbursements</b>	<b>1,759,550</b>	<b>103,399</b>	<b>42,424</b>	<b>1,905,373</b>
Disbursements from prior FY (Including refund to ODRC)	97,074	-	-	97,074
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(49,233)</b>	<b>2,895</b>	<b>(5,500)</b>	<b>(51,838)</b>
Fund Cash Balances, July 1, 2008	237,647	2,030	9,982	249,659
Fund Cash Balances, June 30, 2009	<u>\$ 188,414</u>	<u>\$ 4,925</u>	<u>\$ 4,482</u>	<u>\$ 197,821</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 38,603</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, 2010 AND 2009**

**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 Facility 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 COUNTY	MUSKINGUM COUNTY
KNOX COUNTY	RICHLAND COUNTY

For the year ended June 30, 2010, 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 Correction 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 Correction requires.

**C. Deposits**

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 Correction (ODRC) 501-501 Funding: ODRC grants this funding, appropriated from the State's General Fund, to the Center to support general operating costs.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**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 2010 and 2009 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**2. Budgetary Activity**

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2010 and 2009 follows:

2010 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$2,008,489	\$2,002,253	\$6,236

2009 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$1,805,989	\$1,796,751	\$9,238

**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's Offender Funds are insured by the Federal Deposit Insurance Corporation.

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**4. Refund To ODRC (Continued)**

Refund to ODRC		
	2010	2009
Cash, July 1	\$188,414	\$237,647
Disbursements Against Prior Year Budget	(\$35,941)	(\$97,074)
Payable to ODRC, July 1	(\$597)	0
Sub-Total	\$151,876	\$140,573
501 Cash Receipts	2,009,324	1,807,391
Budgetary Basis Disbursements	(2,002,253)	(1,796,751)
Amount Subject to Refund, June 30	\$158,947	151,213
One-Twelfth of 501 Award	(167,444)	(150,616)
Refundable to ODRC	(\$8,497)	\$597

Calculation of Payable to ODRC		
	2010	2009
Payable, July 1	\$597	0
Cash Refunded	0	0
Refundable to ODRC, June 30	0	597
Payable, June 30	\$597	\$597

**5. Retirement Systems**

The Center's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes plan benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10 percent of their gross salaries and the Center contributed an amount equaling 14 percent, respectively, of participants' gross salaries. The Center has paid all contributions required through June 30, 2010.

**6. Risk Management**

**Commercial Insurance**

The Center has obtained commercial insurance for the following risks:

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

**7. Subsequent Event**

The Ohio Department of Rehabilitation and Correction (the Department) informed the Center on March 2, 2011 that the Department cannot provide operational funding for the Center in the coming fiscal year or in years thereafter. The Department has given the Center the option to obtain additional funding through other sources in order to remain open. The Center has until April 1, 2011 to procure this alternate funding. Without an alternate funding source, the Center will close on June 30, 2011.



# Dave Yost • Auditor of State

## 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 Licking-Muskingum Community Correction Center, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2010 and 2009, and have issued our report thereon dated March 2, 2011, wherein we noted the Center followed accounting practices the Ohio Department of Rehabilitations and Correction 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### **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 did note a certain matter not requiring inclusion in this report that we reported to the Center's management in a separate letter dated March 2, 2011.

We intend this report solely for the information and use of management, Judicial Advisory Board and Facility Governing Board, and others within the Center. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

March 2, 2011



# Dave Yost • 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  
MARCH 29, 2011