



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

FINAL AUDIT

FOR THE YEARS ENDED JUNE 30, 2011



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 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 statement 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 statement in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format ODRC prescribes or permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 27, 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 statement of Licking-Muskingum Community Correction Center, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2011. This financial statement is the responsibility of the Center's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 this financial statement 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 statement 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 statement does 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 statement referred to above for the year ended June 30, 2011 does 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, 2011 or its changes in financial position for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances and unpaid obligations of Licking-Muskingum Community Correction Center, Licking County, Ohio, as of June 30, 2011, and its cash receipts and disbursements for the year 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 statement.

As disclosed in Note 1, the Center suspended operations and formerly closed on June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 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 "D" and "Y".

Dave Yost
Auditor of State

October 27, 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, 2011**

	State Appropriations and Grants		Offender Funds		Totals
	ODRC 501-501	Capital C50101	Offender Personal Funds	Telephone Commissions	
Cash Receipts:					
Intergovernmental	\$ 1,823,988	\$ 122,000	\$ -	\$ -	\$ 1,945,988
Receipts for offenders	-	-	80,635	-	80,635
Commissions	-	-	-	25,812	25,812
Reimbursement	10,524	-	-	-	10,524
Total Cash Receipts	1,834,512	122,000	80,635	25,812	2,062,959
Cash Disbursements:					
Personnel	1,557,376	-	-	-	1,557,376
Operating costs	181,967	-	-	22,225	204,192
Program costs	15,710	-	-	872	16,582
Equipment	1,088	-	-	1,698	2,786
Capital Project	-	122,000	-	-	122,000
Offender Disbursements:					
Offender legal obligations	-	-	11,800	-	11,800
Offender reimbursements	-	-	58,895	-	58,895
Offender savings paid at exit	-	-	10,452	-	10,452
Total Cash Disbursements	1,756,141	122,000	81,147	24,795	1,984,083
Disbursements from prior FY (Including refund to ODRC)	236,180	-	-	-	236,180
Total Receipts Over/(Under) Disbursements	(157,809)	-	(512)	1,017	(157,304)
Fund Cash Balances, July 1, 2010	397,076	-	1,526	6,198	404,800
Fund Cash Balances, June 30, 2011	<u>\$ 239,267</u>	<u>\$ -</u>	<u>\$ 1,014</u>	<u>\$ 7,215</u>	<u>\$ 247,496</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 49,538</u>				

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

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011**

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, 2011, the financial statement presents all funds related to the Center.

Ceased Operations of the Center

On March 2, 2011, the Center was notified by the Ohio Department of Rehabilitation and Correction (ODRC) that as of June 30, 2011, the ODRC would discontinue operational grant funding to the Center. As a result, the Center ceased operations as of June 30, 2011. See also Note 7.

B. Basis of Accounting

This financial statement follows 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.

This statement adequately discloses material matters the Ohio Department of Rehabilitation and Corrections 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.

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

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. Facilities 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 2011 budgetary activity appears in Note 2.

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

The Center records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does 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 statement does not include a liability for unpaid leave.

2. Budgetary Activity

Budgetary activity for ODRC 501-501 funding for the year ending June 30, 2011 follows:

2011 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$1,823,989	\$1,795,155	\$28,834

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. See also Note 7.

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011
(Continued)**

4. Refund To ODRC (Continued)

Refund to ODRC	
	2011
Cash, July 1	\$397,076
Disbursements Against Prior Year Budget	(\$236,180)
Payable to ODRC, July 1	(\$597)
Sub-Total	\$160,299
501 Cash Receipts	1,834,512
Budgetary Basis Disbursements	(1,795,155)
Amount Subject to Refund, June 30	\$199,656
One-Twelfth of 501 Award	(152,876)
Refundable to ODRC	\$46,780

Calculation of Payable to ODRC	
	2011
Payable, July 1	597
Cash Refunded	(597)
Refundable to ODRC, June 30	46,780
Payable, June 30	46,780

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 2011, 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, 2011.

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 CORRECTION CENTER
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011
(Continued)**

7. Subsequent Events

On March 2, 2011, the Center was notified by the Ohio Department of Rehabilitation and Correction (ODRC) that as of June 30, 2011, the ODRC would discontinue operational grant funding to the Center. As a result, the Center ceased operations as of June 30, 2011.

The following is a schedule of all receipt and expenditure transactions which occurred subsequent to the closing date of June 30, 2011.

Summary of Activity Subsequent to Fiscal Year End June 30, 2011				
	ODRC -501 Fund		Offender's Personal Fund	Telephone (I&E) Commissions Fund
Balance at 6/30/11	\$ 239,267		\$ 1,014	\$ 7,215
Paid Telephone Commissions balance into ODRC Fund	7,215			(7,215)
Paid balance into Licking County's Unclaimed Funds	-		(1,014)	-
Activity occurring after June 30, 2011				
<u>July Expenditures</u>				
Salaries	(14,357)			
OPERS	(3,288)			
Medicare	(211)			
Hospitalization Insurance	(103)			
Travel	(24)			
Utilities	(2,251)			
Communications	(1,063)			
August Postal Refund	783			
<u>August Expenditures</u>				
Salaries	(3,526)			
OPERS	(810)			
Medicare	(51)			
Hospitalization Insurance	(103)			
Utilities	(2,402)			
May Unemployment	(2,920)			
June Unemployment	(12,264)			
<u>September Expenditures</u>				
Salaries	(375)			
OPERS	(494)			
Medicare	(5)			
Audit Costs	(2,693)			
<u>Expected Remaining Costs</u>				
Audit Fees	(4,107)			
Ending Fund Balance Maintained by Licking County Auditor	\$196,218		\$0	\$0

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

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2011
(Continued)**

7. Subsequent Events (Continued)

The Licking County Auditor and the Ohio Department of Rehabilitation and Corrections are working together to determine the disposition of the remaining fund balance noted above. As of October 27, 2011 a \$42,357 liability to the Ohio Department of Job and Family Services (ODJFS) exists for unpaid unemployment benefits, incurred since July 1, 2011, for the former employees who worked at Licking-Muskingum Community Correction Center.



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 statement of Licking-Muskingum Community Correction Center, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 27, 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. The Center ceased operations on June 30, 2011. 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 statement, 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 statement 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 statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Judicial 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 "D" and "Y".

Dave Yost
Auditor of State

October 27, 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
NOVEMBER 17, 2011