



**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2007 AND 2008



Mary Taylor, CPA
Auditor of State

**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

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Mary Taylor, CPA
Auditor of State

Lucas County Correctional Treatment Facility
Lucas County
1100 Jefferson Avenue
Toledo, Ohio 43624-1835

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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While the Ohio Department of Rehabilitations and Corrections (ODRC) does not 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format ODRC prescribes or permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 5, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lucas County Correctional Treatment Facility
Lucas County
1100 Jefferson Avenue
Toledo, Ohio 43624-1835

To the Judicial Corrections Board:

We have audited the accompanying financial statements of the Lucas County Correctional Treatment Facility, Lucas County, Ohio (the Facility) as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the Facility'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 Facility has prepared these financial statements using accounting practices the Ohio Department of Rehabilitation and Corrections prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the Facility 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 Facility uses. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2008 and 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Facility as of June 30, 2008 and 2007, 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 the Lucas County Correctional Treatment Facility, Lucas County, as of June 30, 2008 and 2007, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Facility 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 January 5, 2009, on our consideration of the Facility's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

January 5, 2009

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY

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

	State Appropriations and Grants		Offender Funds		Totals
	ODRC	Federal	Offender Personal Funds	Resident Program Fund	
	501-501				
Cash Receipts:					
Intergovernmental	\$ 3,524,268	\$ 51,829			\$ 3,576,097
Receipts for offenders			\$ 117,307		
Collections from offenders				\$ 8,409	8,409
Commissions				40,853	40,853
Other		629	3,086	12,048	15,763
Total Cash Receipts	3,524,268	52,458	120,393	61,310	3,641,122
Cash Disbursements:					
Personnel	2,948,148	44,669			2,992,817
Operating costs	358,159	11,530	81,649	12,375	463,713
Program costs	101,740	1,154		27,540	130,434
Equipment	20,965	24,324		2,306	47,595
Miscellaneous			20		20
Offender Disbursements:					
Offender legal obligations				7,849	7,849
Offender reimbursements			5,255		
Offender payments to CBCF			18,577		
Offender savings paid at exit			15,016		
Total Cash Disbursements	3,429,012	81,677	120,517	50,070	3,681,276
Disbursements from prior FY (Including refund to ODRC)	123,760				123,760
Total Receipts Over/(Under) Disbursements	(28,504)	(29,219)	(124)	11,240	(46,607)
Fund Cash Balances, July 1, 2007	415,091	(12,245)	4,948	14,808	422,602
Fund Cash Balances, June 30, 2008	<u>\$ 386,587</u>	<u>\$ (41,464)</u>	<u>\$ 4,824</u>	<u>\$ 26,048</u>	<u>\$ 375,995</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 87,297</u>				

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

OHIO DEPARTMENT OF REHABILITATION AND CORRECTION
COMMUNITY BASED CORRECTIONAL FACILITY
LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY

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

	State Appropriations and Grants		Offender Funds		Totals
	ODRC	Federal	Offender Personal Funds	Resident Program Fund	
	501-501				
Cash Receipts:					
Intergovernmental	\$ 3,499,770	\$ 28,637			\$ 3,528,407
Receipts for offenders			\$ 109,415		
Collections from offenders				\$ 10,552	10,552
Commissions				32,933	32,933
Other	12,569		182	6,974	19,725
Total Cash Receipts	3,512,339	28,637	109,597	50,459	3,591,617
Cash Disbursements:					
Personnel	2,962,263	24,857		73	2,987,193
Operating costs	321,660	7,028	75,025	12,058	415,771
Program costs	102,795			13,714	116,509
Equipment	2,178	3,183			5,361
Miscellaneous			114		114
Offender Disbursements:					
Offender legal obligations				23,026	23,026
Offender reimbursements			1,663		
Offender payments to CBCF			21,764		
Offender savings paid at exit			8,550		
Total Cash Disbursements	3,388,896	35,068	107,116	48,871	3,579,951
Disbursements from prior FY (Including refund to ODRC)	104,792				104,792
Total Receipts Over/(Under) Disbursements	18,651	(6,431)	2,481	1,588	16,289
Fund Cash Balances, July 1, 2006	396,440	(5,814)	2,467	13,220	406,313
Fund Cash Balances, June 30, 2007	<u>\$ 415,091</u>	<u>\$ (12,245)</u>	<u>\$ 4,948</u>	<u>\$ 14,808</u>	<u>\$ 422,602</u>
Unpaid Obligations/Open Purchase Orders	<u>\$ 108,820</u>				

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Lucas County Correctional Treatment Facility (the Facility) provides an alternative to prison incarceration for felony offenders. The Facility is the last step in the continuum of increasing punishment before prison incarceration. The Facility is a minimum security operation housing approximately 112 offenders. A Facilities Governing Board oversees the Facility's operations. Common pleas judges from the County the Facility 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 Facility matters. The Facility serves Lucas County.

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

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 Facility recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

C. Cash

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

D. Fund Accounting

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

Federal: Reports amounts received from the Federal government, including amounts passed through ODRC. The Facility received ABLE and Title I funding for contracting instructors and specialists to aid in the rehabilitations of offenders.

**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Offender Funds

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

Resident Program Fund: This fund receives other Offender Funds, such as telephone and commissary commissions, and per diem rates charged to employed offenders. This fund pays for programs and services benefiting offenders, such as indigent offenders' supplies and entertainment. The Offender Personal Fund reimburses this Fund for costs chargeable to Offender Funds.

E. Budgetary Process

1. Appropriations

The Facility 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 Facility 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 Lucas County's payment approval process. The County Auditor must approve (i.e., certify and encumber) certain payments when the Facility commits to make a payment. The budgetary disbursement amounts reported in Note 2 include cash disbursed against the current year budget plus amounts spent within ninety days of June 30 to liquidate year-end commitments. Amounts not liquidated within ninety days of June 30 are subject to refund to ODRC, unless ODRC approves an extension. (See Note 4.)

A summary of 2008 and 2007 budgetary activity appears in Note 2.

F. Property, Plant, and Equipment

The Facility 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.

**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(Continued)**

2. BUDGETARY ACTIVITY

Budgetary activity for ODRC 501-501 funding for the years ending June 30, 2008 and 2007 follows:

2008 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,524,268	\$3,516,309	\$7,959

2007 Budgeted vs. Actual Budgetary Basis Expenditures		
Budget	Budgetary Expenditures	Variance
\$3,499,770	\$3,497,716	\$2,054

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 Facility.

OFFENDER FUNDS

Deposits

The Facility has Federal Deposit Insurance Corporation coverage of \$100,000 for Offender Funds. There were no uncollateralized amounts at June 30, 2008 and 2007.

4. REFUND TO ODRC

The agreement between the County and ODRC permits the Facility to retain a maximum of one-twelfth of the grant award after liquidating encumbrances outstanding at June 30. The Facility 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 Facility refunds amounts computed below in the fiscal year following the computation below.

**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(Continued)**

4. REFUND TO ODRC – (CONTINUED)

Refund to ODRC		
	2008	2007
Cash, July 1	\$415,091	\$396,440
Disbursements Against Prior Year Budget	(\$108,820)	(\$96,436)
Payable to ODRC, July 1	(\$2,054)	(\$8,356)
Sub-Total	\$304,217	\$291,648
501 Cash Receipts	3,524,268	3,499,770
Budgetary Basis Disbursements	(3,516,309)	(3,497,716)
Amount Subject to Refund, June 30	\$312,176	293,702
One-Twelfth of 501 Award	(293,689)	(291,648)
Refundable to ODRC	\$18,487	\$2,054

Calculation of Payable to ODRC		
	2008	2007
Payable, July 1	2,054	8,356
Cash Refunded		(8,356)
Refundable to ODRC, June 30	18,487	2,054
Payable, June 30	20,541	2,054

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2007, OPERS members contributed 9 percent of their gross salaries from July 2006 through December 2006 and 9.5 percent from January 2007 through June 2007. For 2008, OPERS members contributed 9.5 percent of their gross salaries from July 2007 through December 2007 and 10 percent from January 2008 through June 2008. The Facility contributed an amount equaling 13.75 percent from July 2006 through December 2006 and 13.85 percent from January 2007 through June 2007. For 2008, the Facility contributed an amount equaling 13.85 percent of their gross salaries from July 2007 through December 2007 and 14 percent from January 2008 through June 2008. The Facility has paid all contributions required through June 30, 2008.

**LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The Facility is included in Lucas County's commercial insurance for the following risks:

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

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Mary Taylor, CPA

Auditor of State

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

Lucas County Correctional Treatment Facility
Lucas County
1100 Jefferson Avenue
Toledo, Ohio 43624-1835

To the Judicial Corrections Board:

We have audited the financial statements of the Lucas County Correctional Treatment Facility, Lucas County, Ohio (the Facility) as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated January 5, 2009, wherein we noted the Facility followed accounting practices the Ohio Department of Rehabilitations and Corrections prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Facility'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 noncompliance matter that we reported to the Facility's management in a separate letter dated January 5, 2009.

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. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 5, 2009



Mary Taylor, CPA
Auditor of State

LUCAS COUNTY CORRECTIONAL TREATMENT FACILITY

LUCAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 5, 2009**