



Dave Yost • Auditor of State

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Multi-County Juvenile Attention System
Stark County
815 Faircrest Street SW
Canton, Ohio 44706

To the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Multi-County Juvenile Attention System, Stark County, Ohio (the System) as of and for the year ended December 31, 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the System prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the System does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the System as of December 31, 2017, and the respective changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Multi-County Juvenile Attention System, Stark County as of December 31, 2017, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2018, on our consideration of the System'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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

April 18, 2018

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Charges for Services	\$2,237,816	\$344,152	\$0	\$2,581,968
Intergovernmental:				
Local Operating Grants	7,401,489	1,326,921	0	8,728,410
State Grants	270,356	0	0	270,356
Miscellaneous	1,014,047	20,379	88,992	1,123,418
<i>Total Cash Receipts</i>	10,923,708	1,691,452	88,992	12,704,152
Cash Disbursements				
Current:				
Personal Services - Salaries and Wages	4,791,645	839,014	0	5,630,659
Personal Services - Employee Benefits	2,701,202	502,746	0	3,203,948
Supplies and Materials	810,852	101,333	0	912,185
Purchased Services	1,899,877	318,152	4,905	2,222,934
Other	131,154	65,539	37,328	234,021
Capital Outlay	210,367	0	0	210,367
Debt Service	38,744	4,221	0	42,965
<i>Total Cash Disbursements</i>	10,583,841	1,831,005	42,233	12,457,079
<i>Excess of Receipts Over (Under) Disbursements</i>	339,867	(139,553)	46,759	247,073
<i>Fund Cash Balances, January 1</i>	2,031,025	300,485	88,444	2,419,954
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	160,932	0	160,932
Committed	0	0	135,203	135,203
Assigned	565,494	0	0	565,494
Unassigned (Deficit)	1,805,398	0	0	1,805,398
<i>Fund Cash Balances, December 31</i>	\$2,370,892	\$160,932	\$135,203	\$2,667,027

See accompanying notes to the basic financial statements

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**MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Multi-County Juvenile Attention System (the System), as a body corporate and politic. An appointed 15 member Board of Trustees from Carroll, Columbiana, Stark, Tuscarawas and Wayne counties directs the System. The System provides facilities for juvenile training, treatment and rehabilitation services as directed by the juvenile courts.

The System's management believes these financial statements present all activities for which the System is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The System recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Stark County Treasurer is custodian for the System's deposits. The County's deposit and investment pool holds the System's assets, valued at the Treasurer's reported carrying amount.

D. Fund Accounting

The System uses fund accounting to segregate cash and investments that are restricted as to use. The System classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Fund

This fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The System had the following significant special revenue fund:

Community Corrections Facility Fund - This fund receives grant monies from the Ohio Department of Youth Services.

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

3. Capital Project Fund

This fund accounts for and reports financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The System had the following significant capital project fund:

Capital Projects Fund – The fund initially received proceeds from the sale of the Canton Group Home and currently receives monthly rental income for Capital projects as outlined by the Capital Committee and approved by the Board of Trustees.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Joint Board of County Commissioners and Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The Stark County Auditor must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 2.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the System must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The System classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Summary of Significant Accounting Policies (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

The Board can *commit* amounts via formal action (resolution). The System must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds, other than the general fund, report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the System's Trustees or a System official who is delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The System applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The System records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$10,307,489	\$10,923,708	616,219
Special Revenue	2,117,826	1,691,452	(426,374)
Capital Projects	88,992	88,992	0
Total	\$12,514,307	\$12,704,152	\$189,845

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	12,216,011	\$11,149,335	\$1,066,676
Special Revenue	2,295,626	1,914,507	381,119
Capital Projects	176,992	42,233	134,759
Total	\$14,688,629	\$13,106,075	\$1,582,554

3. Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Juvenile Detention Facility Bonds, Series 2010	\$785,000	4.00 - 6.00%
County Home Road Sanitary Sewer Project	43,381	0%
County Home Road Waterline Extension Project	<u>94,912</u>	0%
Total	<u>\$923,293</u>	

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Debt (Continued)

On July 8, 2010, the System issued general obligation bonds totaling \$1,400,000 for the purpose of acquiring, constructing, equipping and furnishing a new juvenile detention facility.

On November 27, 2012, the System entered into an agreement with Columbiana County estimated to be \$86,761 for the purpose of financing the System's share of the County Home Road Sanitary Sewer Project. In August 2016, the agreement was revised to \$81,663 based upon the final costs of the project.

On January 22, 2014, the System entered into an agreement with Columbiana County estimated to be \$137,312 for the purpose of financing the System's share of the County Home Road Waterline Extension Project. In August 2016, the agreement was revised to \$139,366, based upon the final costs of the project.

Amortization of the above debt, including interest, is scheduled as follows:

	<u>Juvenile Detention Facility Bonds, Series 2010</u>	<u>County Home Road Sanitary Sewer Project</u>	<u>County Home Road Waterline Extension Project</u>
Year ending December 31:			
2018	\$ 113,925	\$ 8,676	\$ 10,600
2019	111,163	8,676	10,600
2020	113,400	8,676	10,600
2021	110,475	8,676	10,600
2022	111,965	8,676	10,600
2023 – 2026	<u>362,620</u>	<u> </u>	<u>41,912</u>
	<u>\$ 923,548</u>	<u>\$43,380</u>	<u>\$ 94,912</u>

4. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members hired prior to November 24, 2003 contributed 5.75% of their gross salaries and the System contributed an amount equal to 18.25% of participant's gross salaries. OPERS members hired after November 24, 2003 contributed 10% of their gross salaries and the system contributed an amount equaling 14% of participants' gross salaries. The System has paid all contributions required through December 31, 2017.

5. Risk Pool Membership

The System is a member of the County Risk Sharing Authority, Inc. (CORSA). CORSA is a self-insurance pool that was established in 1987 by the County Commissioners' Association of Ohio (CCAO) for the purpose of providing property and liability coverage and comprehensive risk-management services (the "Program") for CCAO members. There are currently 66 Ohio Counties and 35 county-related entities participating.

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

CORSA was incorporated in 1987 as an Ohio not-for-profit corporation, under Ohio Revised Code

5. Risk Pool Membership (Continued)

(ORC) Section 1702.01, and is governed by ORC 2744.081. CORSA is governed by a nine-member Board of Directors who are County Commissioners from member counties. The Directors are elected by members and are eligible to serve three, two-year terms.

Pursuant to participation agreements, each member agrees to pay all contributions necessary for the specified types of coverage and risk management services provided by CORSA. CORSA provides members with a vast array of programs. The coverage provided by CORSA includes property, equipment breakdown, automobile liability and physical damage, general liability, medical professional liability (Physicians and dentists excluded, except for physicians who provide services in jails), law enforcement liability, and errors and omissions. The annual renewal date is May 1 for all members. Member contributions are collected on an annual basis and are due on May 1; However, CORSA has allowed the System to pay the annual dues on a quarterly basis.

6. Contingent Liabilities

Amounts grantor agencies pay to the System are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



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

Multi-County Juvenile Attention System
Stark County
815 Faircrest Street SW
Canton, Ohio 44706

To the Board:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Multi-County Juvenile Attention System, Stark County, (the System) as of and for the year ended December 31, 2017, and the related notes to the financial statements and have issued our report thereon dated April 10, 2018 wherein we noted the System followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the System's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the System's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the System'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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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
Columbus, Ohio

April 18, 2018

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Budgetary Activity Note

<i>Finding Number</i>	2017-001
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MATERIAL WEAKNESS

A public office filing its annual financial report on the regulatory cash basis shall include the notes to the basic financial statements. The Auditor of State provides footnote shells to public offices reporting on the regulatory cash basis. The footnote shells include a budgetary activity note and explain within the budgetary activity note:

- The budgeted receipts should include total available resources, less unencumbered fund balance, from the Official or Amended Official Certificate of Estimated Resources;
- The appropriation authority should include the approved appropriations from the Appropriation Resolution, plus prior year carryover encumbrances;
- The budgetary expenditures should include expenditures from the financial statements, plus outstanding encumbrances at year end.

The Attention System's budgetary activity note included the following misstatements:

- The budgeted receipts improperly included the unencumbered fund balance resulting in an overstatement of budgeted receipts in the amounts of \$1,667,708, \$247,685 and \$88,444 in the general, special revenue and capital project funds, respectively;
- The appropriation authority improperly excluded the prior year carryover encumbrances resulting in an understatement of appropriation authority in the amounts of \$363,317 and \$52,800 for the general and special revenue funds, respectively;
- The budgetary expenditures improperly excluded outstanding encumbrances resulting in an understatement of budgetary expenditures in the amounts of \$565,495 and \$83,502 for the general and special revenue funds, respectively.

The Chief Fiscal Officer (CFO) prepared the notes to the financial statements from the prior year notes, rather than a new footnote shell. Therefore, the CFO did not see the budgetary activity notes and used incorrect amounts, resulting in the misstatement. The notes to the financial statements have been adjusted to reflect the correct amounts.

The Attention System should implement controls over financial reporting to ensure the budgetary activity note is completed accurately.

Official's Response:

We did not receive a response from Officials to this finding.

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MULTI-COUNTY JUVENILE ATTENTION SYSTEM

STARK 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
JUNE 5, 2018