



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

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
REPORT OF INDEPENDENT ACCOUNTANTS	1-2
FINANCIAL STATEMENTS	
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 1998	3
Notes to the Financial Statements	5-10
REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY <u>GOVERNMENT AUDITING STANDARDS</u>	11-12

THIS PAGE LEFT BLANK INTENTIONALLY



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001

Report of Independent Accountants

Board of Trustees
Multi-County Juvenile Attention System
Stark County
815 Faircrest Street
Canton, Ohio 44706

We have audited the accompanying financial statements of the Multi-County Juvenile Attention System (the Attention System) as of and for the year ended December 31, 1998. These financial statements are the responsibility of the Attention System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Attention System prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Multi-County Juvenile Attention System as of December 31, 1998, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 3, 1999 on our consideration of the Attention System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Board of Trustees
Multi-County Juvenile Attention System
Report of Independent Accountants
Page -2-

This report is intended solely for the information and use of the management of the Attention System, the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

September 3, 1999

MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 1998

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only) Total</u>
Cash receipts:				
Intergovernmental	\$1,329,577	\$0	\$894,160	\$2,223,737
Gifts and donations	25,111	0	0	25,111
Refunds and reimbursements	176,176	0	0	176,176
Tuition	526,154	0	0	526,154
Sales	2,245	0	0	2,245
Board and care	516,696	0	0	516,696
Contract services	4,122,316	0	0	4,122,316
Other	41,347	0	0	41,347
Total cash receipts	<u>6,739,622</u>	<u>0</u>	<u>894,160</u>	<u>7,633,782</u>
Cash disbursements:				
Current:				
Salaries	3,609,123	0	0	3,609,123
Supplies	397,825	0	0	397,825
Contract repair	33,552	0	0	33,552
Contract services	1,001,154	153,913	195,106	1,350,173
Public employees' retirement	649,681	0	0	649,681
Workers' compensation	20,350	0	0	20,350
Group insurance	589,175	0	0	589,175
Other	59,009	0	0	59,009
Equipment	52,130	0	0	52,130
Total cash disbursements	<u>6,411,999</u>	<u>153,913</u>	<u>195,106</u>	<u>6,761,018</u>
Total cash receipts over (under) cash disbursements	327,623	(153,913)	699,054	872,764
Other financing receipts (disbursements):				
Advances-in	0	115,000	0	115,000
Advances-out	(115,000)	0	0	(115,000)
Other financing sources	129,834	0	0	129,834
Total other financing receipts (disbursements)	<u>14,834</u>	<u>115,000</u>	<u>0</u>	<u>129,834</u>
Total cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	342,457	(38,913)	699,054	1,002,598
Fund cash balances, January 1, 1998	<u>953,439</u>	<u>44,340</u>	<u>253,290</u>	<u>1,251,069</u>
Fund cash balances, December 31, 1998	<u>\$1,295,896</u>	<u>\$5,427</u>	<u>\$952,344</u>	<u>\$2,253,667</u>
Reserves for encumbrances, December 31, 1998	<u>\$520,386</u>	<u>\$0</u>	<u>\$58,184</u>	<u>\$578,570</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 1998

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Multi-County Juvenile Attention System (the Attention System) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Attention System is directed by an appointed nineteen-member Board of Trustees from Carroll, Columbiana, Holmes, Stark, Tuscarawas, and Wayne counties. The Attention System provides facilities to juveniles for training, treatment, and rehabilitation as directed by the Juvenile Courts.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned. Disbursements are recognized when they are 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Stark County Auditor acts as the fiscal agent for the Attention System, and the County Treasurer maintains a cash and investment pool, including all funds for which the County Auditor is the fiscal agent. The Attention System also maintains a money market account at Key Trust Bank for the self-insurance program, and the balance is reported at cost, which is the same as the market value. The activities for this fund are administered by a third party, American Benefits Management Inc., located in Canton, Ohio.

D. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Attention System had the following significant Special Revenue Fund:

MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 1998

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

Special Revenue Funds (continued)

Multi-County Safety Renovation Project Fund - This fund receives monies from Ohio Department of Youth Services and matching funds provided by member counties in order to maintain the fire suppression system and the electrical security doors of the Attention System.

Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Attention System had the following significant Capital Projects Fund:

Construction Fund - This fund receives monies from member counties for the construction of an additional treatment facility for juveniles.

E. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Attention System to reserve (encumber) appropriations when commitments are made.

Encumbrances are purchase orders, contracts and other commitments for the expenditure of monies that are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

A summary of 1998 budgetary activity appears in Note 3.

MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 1998

1. Summary of Significant Accounting Policies (continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements (equipment) when paid. These items are not reflected as assets in the financial statements.

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Attention System.

2. Equity in Pooled Cash and Investments

The Stark County Treasurer maintains a cash and investment pool used by all funds including the Attention System. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amounts of cash and investments of the Attention System at December 31 are as follows:

County Treasury	\$2,108,310
KeyBank Trust for Self-Insurance	<u>145,357</u>
Total Deposits and Investments	<u>\$2,253,667</u>

Deposits:

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the year ended December 31, 1998 follows:

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$6,566,666	\$6,869,456	\$302,790
Special Revenue	115,000	115,000	0
Capital Projects	<u>4,000,000</u>	<u>894,160</u>	<u>(3,105,840)</u>
Total	<u>\$10,681,666</u>	<u>\$7,878,616</u>	<u>(\$2,803,050)</u>

MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 1998

3. Budgetary Activity (Continued)

1998 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$7,543,622	\$7,047,385	\$496,237
Special Revenue	159,340	153,913	5,427
Capital Projects	<u>4,253,290</u>	<u>253,290</u>	<u>4,000,000</u>
Total	<u>\$11,956,252</u>	<u>\$7,454,588</u>	<u>\$4,501,664</u>

4. Retirement System

The Attention System's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998, members of PERS contributed half of their required 8.5% share of gross salaries. The Attention System contributed the other half as a benefit to employees, and contributed the entire 8.5% for the Superintendent as a benefit. The Attention System contributed an amount equal to 13.55% of participants' gross salaries. The Attention System has paid all contributions required through December 31, 1998.

5. Risk Management

The Attention System has obtained commercial insurance for the following risks:

- 7 Comprehensive property and general liability
- 7 Vehicles

The vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

The Attention System also provides health insurance to full-time employees through American Benefits Management Inc. for medical self-insurance. Dental coverage is provided through The Guardian Company.

6. Contingent Liabilities

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 1998

7. Year 2000 Issue

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the Attention System's operations as early as 1999.

The Attention System has completed an inventory of computer systems and other electronic equipment that are considered to be mission critical. The Attention System has identified the following systems requiring Year 2000 remediation:

A. Utilities, security, and fire systems

As of December 31, 1998, the Attention System identified American Electric Power (building electricity), Honeywell, Inc. (building heating and cooling systems), East Ohio Gas (building gas), City of Canton (water and sewer), and Ameritech (local and long distance telephone service) as mission critical utility services. These utility companies and the City of Canton are responsible for remediating these systems, and are solely responsible for any associated costs.

Interstate Fire and Security Systems, Inc. (building alarm system), The Scholl-Choffin Company (building fire suppression system), and Ranger Security Detectors (metal detectors) have been identified as critical building services. These alarm, fire suppression, and security system companies are responsible for remediating these systems and are solely responsible for any associated costs.

B. Business office systems

As of December 31, 1998, the Attention System identified the Stark County Auditor (fiscal agent), KeyBank (banking services), and American Benefits Management (health insurance third party administrator) as mission critical business systems.

The Stark County Auditor serves as the fiscal agent for the Attention System. The County is responsible for remediating its mission critical systems and is solely responsible for any costs associated with the remediation of those systems.

Assurances have been obtained that banking services provided to the Attention System by KeyBank are believed to be Year 2000 compliant as of September 1999.

American Benefits Management, Inc., the Attention System's third party administrator for health insurance, has issued a written assurance that all claims adjudication software is already Year 2000 enabled.

C. Business computer hardware

The Attention System purchased administrative computers in August of 1999. They are expected to be fully operational by September 1999. The current system has been remediated, validated and tested by the Computer Systems Consultant and is believed to be Year 2000 compliant. As of December 31, 1998, this hardware was in the assessment stage.

MULTI-COUNTY JUVENILE ATTENTION SYSTEM
STARK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 1998

7. Year 2000 Issue (Continued)

Because of the unprecedented nature of the Year 2000 issue, its effects and success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Attention System is or will be Year 2000 ready, that the Attention System's remediation efforts will be successful in whole or in part, or that parties with whom the Attention System does business will be Year 2000 ready.

8. Subsequent Event - New Building Construction

The Attention System awarded approximately \$5.5 million in contracts during August 1999 for the purpose of constructing a building which will house a 30-bed detention facility and a 24-bed treatment facility. The project will be funded locally through monies provided by member counties. Construction on the 35,000 square foot complex is estimated to begin mid-September 1999.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001

Report of Independent Accountants on Compliance and on Internal Control Required by Government Auditing Standards

Board of Trustees
Multi-County Juvenile Attention System
Stark County
815 Faircrest Street
Canton, Ohio 44706

We have audited the financial statements of the Multi-County Juvenile Attention System (the Attention System) as of and for the year ended December 31, 1998, and have issued our report thereon dated September 3, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Attention System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Attention System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Trustees
Multi-County Juvenile Attention System
Report of Independent Accountants on Compliance and on Internal
Control Required by Government Auditing Standards
Page -2-

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Attention System in a separate letter dated September 3, 1999.

This report is intended for the information and use of the management of the Attention System and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

September 3, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
SEPTEMBER 28, 1999**