

CRIMINAL JUSTICE COORDINATING COUNCIL

**AUDITED FINANCIAL STATEMENTS
AND OTHER SUPPLEMENTARY INFORMATION
AND AUDITORS' REPORTS**

DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Council Members
Criminal Justice Coordinating Council
One Government Center, Suite 1720
Toledo, Ohio 43604

We have reviewed the *Independent Auditor's Report* of the Criminal Justice Coordinating Council, Lucas County, prepared by Gilmore, Jasion & Mahler, LTD., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Criminal Justice Coordinating Council is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 2, 2005

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GILMORE, JASION & MAHLER, LTD

INDEPENDENT AUDITORS' REPORT

Council Members
Criminal Justice Coordinating Council
Toledo, Ohio

We have audited the accompanying statement of net assets of the Criminal Justice Coordinating Council as of December 31, 2004, and the related statements of revenue, expenses and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Council'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 *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.

Kevin M. Gilmore, CPA, CVA

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Criminal Justice Coordinating Council as of December 31, 2004, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Adele M. Jasion, CPA

Andrew L. Mahler,
CPA, CVA, CFFA

As described in Note 1 to the financial statements, during the year ended December 31, 2004, the Council implemented a new financial reporting model, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

J. Stephen Schult, CPA

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 11, 2005 on our consideration of the Criminal Justice Coordinating Council's internal control and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

The management's discussion and analysis on pages 5 through 8 are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements of the Council taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The other accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Gilmore, Jason ; Mahler, LTD

March 11, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The following Management's Discussion and Analysis (MD&A) section of the Criminal Justice Coordinating Council's (CJCC's) financial report represents a discussion and analysis of the CJCC's financial performance during the fiscal year ended December 31, 2004. Please read it in conjunction with the CJCC's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The CJCC accounts for all transactions under an enterprise fund and the financial statements are prepared using proprietary fund (enterprise fund) accounting. This accounting method and reporting schema differ from past years in that they are GASB 34 compliant. Revenue and expenses are recorded on a full accrual basis as opposed to the past practice of the modified accrual basis which included encumbrances and carry-forwards.

The Statement of Net Assets, similar to a traditional balance sheet, presents information regarding assets and liabilities. The net assets of CJCC as of December 31, 2004 represents the difference between the total assets and total liabilities.

The Statement of Revenues, Expenses, and Changes in Net Assets, similar to a traditional Profit and Loss (P&L) Statement, reports the operating and non-operating revenues and expenses, which upon combining determine the total change in net assets for the current year.

The Statement of Cash Flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year's cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the current fiscal year.

The Statement of Net Assets – Agency Fund is used to account for resources held for the benefit of parties outside CJCC. This statement is not reflected in the Statement of Net Assets, the Statement of Revenue, Expenses and Changes in Net Assets or the Statement of Cash Flows as the resources of the fund are not available to support CJCC's own programs.

FINANCIAL HIGHLIGHTS

- Grants administered by CJCC increased from \$629,860 in 2003 to \$1,553,984 in 2004.
- In 2003 the CJCC operating revenue was \$3,141,407 and the payments from the City of Toledo and Lucas County was 77% of this total. In 2004 the CJCC operating revenue was \$3,427,876 and the payments from the City of Toledo and Lucas County were 60% of this total.
- During 2004, CJCC recognized that Federal grant activity will be decreasing in the future with an accompanying decrease in grant administration funds paid directly to CJCC. In an effort to mitigate this effect and provide for future growth and financial stability, CJCC began offering new products and services. CJCC now performs criminal background checks for the public and offers a Criminal Record System for sale to law enforcement and Inmate Record Systems for sale to jails.
- The ratio of indirect to direct costs decreased from 20% in 2003 to 15.7% in 2004.
- CJCC received a contract to perform services in fulfillment of the \$750,000 SAFETI grant awarded to Toledo Municipal Court.

Financial Position

The following summarizes the CJCC financial position as of December 31, 2004 and refers to items presented on page 9 titled Statement of Net Assets:

ASSETS:	
Current Assets	\$1,449,151
Capital Assets	<u>459,921</u>
TOTAL ASSETS	<u>1,909,072</u>
CURRENT LIABILITIES	<u>664,799</u>
NET ASSETS	<u>\$1,244,273</u>

Capital Assets – A complete physical inventory of all assets was completed during the fiscal year ended December 31, 2002, at the time of the CJCC relocation. Using this information, along with the total purchase value of equipment acquired after that time, a total asset value of \$715,106 is reported. This reported value was then reduced by the total accumulated depreciated of \$255,185 as of December 31, 2004, in accordance with Generally Accepted Accounting Principles. No asset purchases of individual significance were made during 2004.

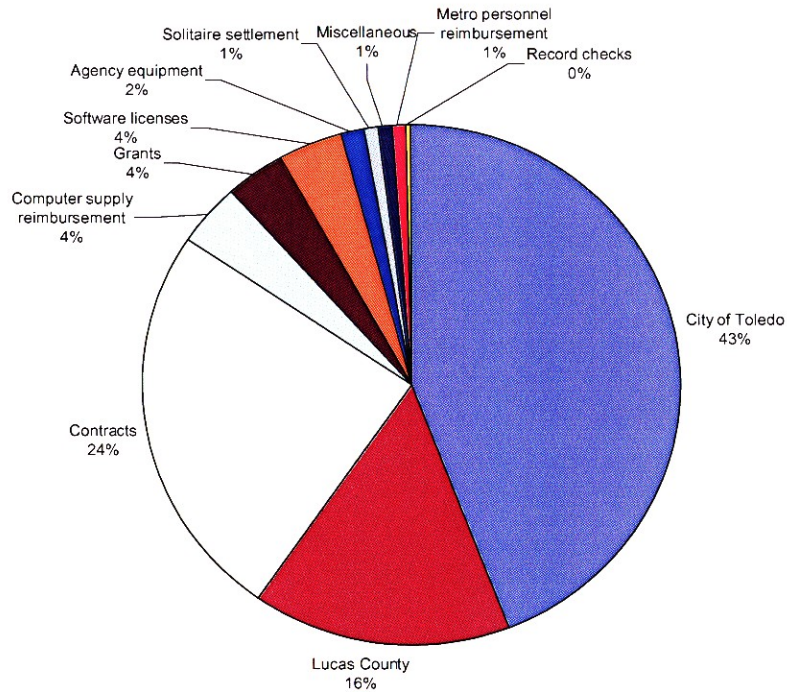
Current Liabilities – This includes all payables. Also included in this total are accruals for payroll, vacation, and sick time expenses. The deferred revenue shown in this column is for compensated work yet to be done, associated with the IBRS grant. Current liabilities total \$664,799.

Net assets – This amount summarizes the total asset less liabilities of the CJCC. This total value of net assets is \$1,244,273, of which \$459,921 represents investment in property and equipment, \$201,973 restricted for future grant payments and the remaining amount of \$582,379, which is unrestricted.

Financial Information

Revenue

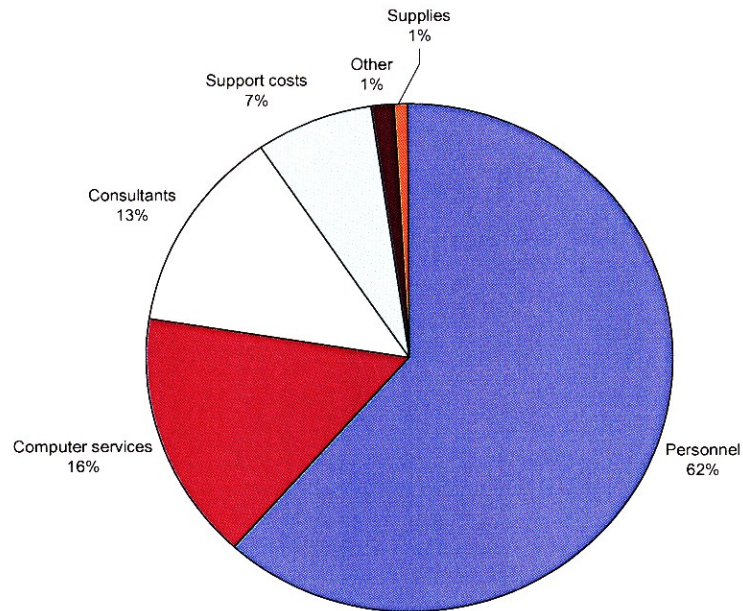
The following chart shows the major sources of revenue for the year ended December 31, 2004.



Operating revenues are summarized on page 10 at the top of the Statement of Revenues, Expenses and Changes in Net Assets. Of note in the area of revenue is the relative size of contract revenue. This area has grown to be the second largest major source of revenue to the CJCC and is consistent with the direction set forth by the CJCC Board of Directors and documented in the CJCC Business Plan of 2004.

Expenses

The following chart shows the major expenses for the year ended December 31, 2004:



Operating expenses are summarized on page 10 at the top of the Statement of Revenues, Expenses and Changes in Net Assets. Personnel continues to be the single greatest area of expense for the CJCC, consistent with a service-based business.

SUMMARY

The statement of cash flow on page 11, along with the bottom of the Statement Revenues, Expenses and Changes in Net Assets, on the bottom of page 10 reports an operating loss of \$341,329 for the year ended December 31, 2004 that reduces the cash balance at the beginning of the year from \$1,235,819 to \$1,130,270 at the end of the year. This reduction is consistent with the use of \$300,000 of City of Toledo Reserves and has been partially mitigated through the realization of new revenue from sales.

**CRIMINAL JUSTICE COORDINATING COUNCIL
STATEMENT OF NET ASSETS
December 31, 2004**

ASSETS

Current assets

Cash and cash equivalents		\$ 1,130,270
Accounts receivable		183,664
Grants receivable		27,801
Prepaid expenses		107,416
	Total current assets	1,449,151

Non-current assets

Property and equipment		715,106
Accumulated depreciation		(255,185)
	Net property and equipment	459,921
	Total assets	\$ 1,909,072

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable		\$ 87,757
Grants payable		185,631
Accrued payroll and related expenses		105,271
Accrued vacation and sick		126,792
Deferred revenue		159,348
	Total current liabilities	664,799

Net assets

Invested in property and equipment		459,921
Reserved for:		
Carryover grant allocations		201,973
Unrestricted net assets		582,379
	Total net assets	\$ 1,244,273

The accompanying notes are an integral part of these financial statements.

CRIMINAL JUSTICE COORDINATING COUNCIL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2004

Operating revenues		
Contract services	\$	2,909,326
Grants		112,537
Computer equipment and software		259,189
Other		146,824
		<hr/>
	Total operating revenues	3,427,876
Operating expenses		
Personnel		2,269,936
Computer services		582,025
Consultants		471,742
Support costs		271,017
Other		50,417
Supplies		30,420
		<hr/>
	Total operating expenses	3,675,557
		(247,681)
Operating loss before depreciation		
Depreciation		93,648
Operating loss		<hr/> (341,329)
Non-operating revenue and expense		
Grant revenues		1,553,984
Less: Grant allocations to subrecipients		(1,405,822)
Investment income		6,837
		<hr/>
	Total non-operating revenue, net	154,999
Changes in net assets		(186,330)
Net assets at beginning of the year, restated		<hr/> 1,430,603
Net assets at end of the year		<hr/> <hr/> \$ 1,244,273

The accompanying notes are an integral part of these financial statements.

CRIMINAL JUSTICE COORDINATING COUNCIL
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2004

Cash flows from operating activities		
Cash received for services		\$ 3,435,603
Cash paid to employees		(2,248,017)
Cash paid to others		(1,366,301)
	Net cash used in operating activities	<u>(178,715)</u>
Cash flows from non-capital financing activities		
Cash received from grants		1,565,351
Cash paid for grant allocations		(1,398,056)
	Net cash provided by non-capital financing activities	<u>167,295</u>
Cash flows from capital and related financing activities		
Purchase of property and equipment		(100,966)
	Net cash used in financing activities	<u>(100,966)</u>
Cash flows from investing activities		
Interest received on cash and cash equivalents		<u>6,837</u>
	Net cash provided by investing activities	<u>6,837</u>
Net decrease in cash		(105,549)
Cash at beginning of year		<u>1,235,819</u>
Cash at end of year		<u><u>\$ 1,130,270</u></u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss		\$ (341,329)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		93,648
Loss on disposal of property and equipment		2,747
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable		64,927
Prepaid expenses		(13,246)
Increase (decrease) in:		
Accounts payable		49,819
Accrued payroll and related expenses		1,959
Accrued vacation and sick		19,960
Deferred revenue		(57,200)
	Net cash used in operating activities	<u><u>\$ (178,715)</u></u>

The accompanying notes are an integral part of these financial statements.

**CRIMINAL JUSTICE COORDINATING COUNCIL
STATEMENT OF NET ASSETS - AGENCY FUND
December 31, 2004**

ASSETS

Current assets

Restricted cash	\$ <u>35,818</u>
Total assets	\$ <u><u>35,818</u></u>

LIABILITIES AND NET ASSETS

Liabilities - amounts held for others	\$ 35,818
Net assets	<u>0</u>
Total liabilities and net assets	\$ <u><u>35,818</u></u>

The accompanying notes are an integral part of these financial statements.

CRIMINAL JUSTICE COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1—Reporting entity

Description of the entity

The Criminal Justice Coordinating Council (CJCC) is an entity organized to promote cooperation and coordination between and among separate governmental units and agencies for improving the criminal justice system in the Toledo/Lucas County area through planning, analysis, technical assistance, training, and information management. The CJCC provides these services in three major areas. The first major area is the Northwest Ohio Regional Information System (NORIS) project which provides applications programming, computer training, computer hardware and network support services for an automated regional information system for local criminal justice agencies. Regional planning efforts is the second major area in which the CJCC provides services and includes providing planning, grants management, and coordination efforts for local criminal justice agencies and units of government. The third major area is an administrative services component that is responsible for coordinating activities between project areas.

The Agency fund type is used to account for and maintain assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. Activity of the Metro Drug Task Force and the Toledo Police Department (TPD) Vice Unit accounts is included in this fund. Agency funds are custodial in nature and do not involve measurement of results of operations.

Restatement

CJCC adopted GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenue*, GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements eliminate the concept of fund equity and introduce the concept of net assets. CJCC has adopted these statements for its 2004 financial statements and the beginning net assets have been restated to conform with the 2004 presentation.

In accordance with GASB No. 34, CJCC qualifies as a business-type activity. The following entries were made to beginning net assets to adjust for these changes:

December 31, 2003 equity memorandum total	\$ 1,702,505
Accumulated depreciation	(165,070)
Long-term accrued vacation and sick leave	(106,832)
Net assets beginning of year, as restated	<u>\$ 1,430,603</u>

With the change to a business-type activity, the Council depreciates property and equipment and accounts for its revenues and expenses using the full accrual basis of accounting for the entire organization rather than the modified accrual basis for certain parts of CJCC's accounts.

CRIMINAL JUSTICE COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS-CONTINUED
December 31, 2004

Note 2-Summary of significant accounting policies

The basic financial statements of the CJCC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. The CJCC's significant accounting policies are described below:

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Revenue and expenses

Revenue from charges for services is reported as operating revenues. Expenses from employee wages and benefits, purchases of services, materials and supplies and other miscellaneous expenses are reported as operating expenses.

Nonoperating revenues and expenses are all revenues and expenses not meeting the definition of operating revenues and expenses. Nonoperating revenues and expenses include revenues and expenses from grant management, capital and related financing activities, and investing activities. Expenses relating to disbursements of grant allocations to subrecipients are reported as non-operating expenses.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Council follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles, Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict or contradict GASB pronouncements.

Cash and cash equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts receivable

Accounts receivable are comprised of contracts, and other receivables primarily from governmental entities. Receivables are considered fully collectible at December 31, 2004, and reflect market value. Accordingly, no allowance for doubtful accounts deemed necessary. When amounts are deemed to be uncollectible, they are expensed in the year in which that determination is made.

Prepaid expenses

Prepaid expenses represent computer maintenance and other agreements paid in or prior to 2004 that expire in 2005 or later.

CRIMINAL JUSTICE COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS-CONTINUED
December 31, 2004

Note 2-Summary of significant accounting policies - continued

Property and equipment

Property and equipment are stated at cost (or estimated historical cost) and updated for the costs of additions and retirements during the year. The CJCC capitalize assets with a cost of over \$1,000. Depreciation of property and equipment is based upon the estimated useful lives, ranging from three to forty years, of the various assets and is computed using the straight-line method.

Compensated absences

CJCC follows GASB No. 16, *Accounting for Compensated Absences*, which requires that a liability be accrued for sick leave and vacation if it probable that the employee will be compensated through a cash payment. The CJCC employees accumulate sick leave at a rate of 15 days per year. Upon retirement, if the employee has completed twenty or more years of service with the CJCC, reimbursement for sick leave shall be at one-half (50%) of the employee's final rate of pay up to a maximum of 500 hours of accumulated but unused sick leave. Payments at retirement for accumulated sick leave are calculated using the rate of compensation at the date of retirement.

The CJCC employees accumulate vacation leave at a rate of between two and five weeks per year, depending on their length of service. The CJCC policy restricts employees from carrying forward more than 240 hours of vacation leave per calendar year. Any unused leave is paid out upon termination or retirement.

Economic dependency

The CJCC provides services to the City of Toledo and Lucas County. For the year ended December 31, 2004, 44% and 16% of total operating revenues were received from the City of Toledo and Lucas County, respectively. At December 31, 2004, accounts receivable from the City of Toledo totaled \$133,008.

Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, reduced by accumulated depreciation. Restricted net assets consist of monies and other resources which are restricted by specific agreements. At December 31, 2004, restricted net assets for grant allocations represent net assets restricted for payment of future grant funding requests by sub recipients.

Note 3-Cash and investments

The investments and deposits of the CJCC's monies are governed by the provisions of the Ohio Revised Code (ORC). These statutes require that deposits be placed in eligible banks located in Ohio. Any public depository in which the CJCC places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such, municipal corporation or other authority.

**CRIMINAL JUSTICE COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS-CONTINUED
December 31, 2004**

Note 3—Cash and investments - continued

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 100,000	\$ 100,000
Category 3	1,030,270	1,149,852
	\$ 1,130,270	\$ 1,249,852

As noted above, FDIC insurance covered approximately \$100,000 of CJCC's deposits (bank balances). All remaining deposits were classified as Category 3 pursuant to GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*. Category 3 deposits are collateralized with securities held by the pledging institution's trust department but not in the CJCC's name. The carrying value of all cash deposits approximates fair value.

Note 4—Property and equipment

A summary of the changes in property and equipment, by asset type, is as follows:

	Balance January 1, 2004	Additions	Disposals	Balance December 31, 2004
Property and equipment:				
Leasehold improvements	\$ 131,187	\$ 2,438	\$ 3,200	\$ 130,425
Furniture and fixtures	41,124			41,124
Computer equipment	420,265	98,528	3,080	515,713
Office equipment	10,294			10,294
Vehicles	17,550			17,550
Total property and equipment	620,420	100,966	6,280	715,106
Total accumulated depreciation	165,070	93,648	3,533	255,185
Net property and equipment	\$ 455,350	\$ 7,318	\$ 2,747	\$ 459,921

**CRIMINAL JUSTICE COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS-CONTINUED
December 31, 2004**

Note 5—Lease commitments

Operating leases

In April, 2003, the CJCC entered into an operating lease for a new office facility under a subleasing agreement with the City of Toledo. This lease has a five-year term with monthly rent payments of \$11,250. This amount includes operating expenses such as electricity and maintenance. As part of this lease agreement, the first four rent payments were applied as a supplement towards agreed upon build-out items paid for by the CJCC. Total rent expense under this building lease for the year ended December 31, 2004 was \$95,972.

The CJCC entered into a thirty-six month operating lease for a copier in August 2001. Total payments which include copier supplies and the lease expense amounted to \$13,193 for the year ended December 31, 2004.

The minimum future annual rental commitment under all CJCC leases at December 31, 2004 is as follows:

<u>Year</u>	
2005	\$ 142,639
2006	135,000
2007	135,000
2008	135,000
2009	33,750
	<u>\$ 581,389</u>

Note 6—Pension and other post-employment obligations

PERS

The employees of the CJCC are covered by the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code (ORC) provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4262, calling (614) 222-6701 or 800-222-7377 or accessing the PERS web site at www.opers.org.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. During 2004, the employer contribution rate was 13.55% of covered payroll for the period January through December 2004. The CJCC's contributions to PERS for the years ending December 31, 2004, 2003 and 2002 were \$227,091, \$215,249 and \$206,872, respectively, and were equal to the required contribution for those years. The accrued portion related to PERS expense as of December 31, 2004 is \$34,183.

CRIMINAL JUSTICE COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS-CONTINUED
December 31, 2004

Note 6—Pension and other post-employment obligations-continued

All benefits are established by legislature pursuant to Ohio Revised Code Chapter 145. Members are eligible for retirement benefits at age 60 with 5 years or 60 contributing months of service credit, at age 55 with 25 or more years of service credit, or at any age with 30 or more years of service credit. The annual benefit is based on 2.2 percent of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5 percent for years of service in excess of 30 years. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Upon reaching minimum retirement age, benefits are vested at the time of eligibility for monthly benefits.

Other post-employment benefits

Public Employees Retirement System of Ohio also provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post employment health care through their contributions to PERS. The employer contribution included 4.0% to fund health care for the year.

OPEB's are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

The number of active contributing participants for PERS was 369,885. For the year ended December 31, 2004, expenditures for post retirement benefits for CJCC were approximately \$67,276. As of December 31, 2003, the estimated net assets available for future OPEB payment were approximately \$10.5 billion. The actuarially accrued liability and the assets unfunded actuarially accrued liability at December 31, 2003, were approximately \$26.9 billion and \$16.4 billion, respectively.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB's. Under the new method, effective January 1, 1999, employer contributions, equal to 4.0% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

On September 9, 2004 the OPERS Retirement board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures the OPEBS's health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

CRIMINAL JUSTICE COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS-CONTINUED
December 31, 2004

Note 6—Pension and other post-employment obligations-continued

Under the HCPP, retirees for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

OPEB is financed through employer contributions and investment earnings thereon. PERS uses advance funding of its OPEB's on an actuarially determined basis. The most recent actuarial valuation of PERS' OPEB liability was performed as of December 31, 2003. The following significant actuarial assumptions were used in this valuation:

Funding method

An entry age normal actuarial cost method of valuation is used in the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

Assets valuation method

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment return

The investment assumption rate was 8.00%.

Active employee total payroll

An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.5% to 6.30%.

Health care costs

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care cost were assumed to increase at 4.00% (the projected wage inflation rate).

Note 7—Ohio public employees deferred compensation program

The CJCC employees participate in a statewide deferred compensation plan created in accordance with Internal Revenue Code section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred wages and any earned income are not subject to taxes until actually received by the employee.

CRIMINAL JUSTICE COORDINATING COUNCIL
NOTES TO FINANCIAL STATEMENTS-CONTINUED
December 31, 2004

Note 8–Risk management

The CJCC maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Property and equipment are 90% coinsured. A liability policy covers all employees, elected and appointed officials, board members, and volunteers. None of the CJCC's settlements have exceeded the insurance coverage for each of the past three fiscal years.

The CJCC provides health insurance to its employees in conjunction with Lucas County. The County is self-insured for health and dental benefits. The CJCC is charged for its participant's share of the cost for its covered employees. The unpaid claim liability, if any, has not been determined.

Note 9–Settlement

On October 17, 1997, the CJCC entered into a settlement agreement with a computer consultant it sued for breach of contract. Under the terms of the agreement, the CJCC received a settlement of \$800,000. The settlement is to be received in quarterly installments of \$7,500 plus the proceeds from an escrow account and any proceeds received from the settling defendant's bankruptcy trustee. Amounts related to the settlement are recorded as revenue when they are received. In 2004, the CJCC received four quarterly payments of \$7,500, totaling \$30,000, which were paid to the County of Lucas and the City of Toledo to reimburse the County and the City for funds they paid to the CJCC for the consultant. The amount of proceeds, if any that will be received when the bankruptcy is settled is undeterminable.

Note 10- Commitments and contingencies

Grants

CJCC received financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of CJCC. However, in the opinion of CJCC management, any such disallowed claims will not have a material adverse effect on the overall financial position of the CJCC at December 31, 2004.

**CRIMINAL JUSTICE COORDINATING COUNCIL
SCHEDULE OF OPERATING REVENUES
For the Year Ended December 31, 2004**

Operating revenues

Contract services		\$ 1,520,900
City of Toledo		538,916
Lucas County		849,510
Other		<u>2,909,326</u>
	Total contract services	<u>2,909,326</u>
Grants		<u>112,537</u>
	Total grants	112,537
Computer equipment and software		
Computer supply reimbursement		132,689
Software licenses		<u>126,500</u>
	Total computer equipment and software	259,189
Other		
Agency equipment		53,995
Solitaire settlement		30,000
Miscellaneous		28,839
Metro personnel reimbursement		21,190
Record checks		<u>12,800</u>
	Total other	<u>146,824</u>
	Total operating revenues	<u><u>\$ 3,427,876</u></u>

**CRIMINAL JUSTICE COORDINATING COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2004**

<u>Federal Grantor/ Pass-through Grantor/ Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Federal Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Passed through the Department of Youth Services:				
Juvenile Accountability Incentive Block	16.523		02JB-1000 03JB-1000	\$ 112,965 241,653
Juvenile Accountability Incentive Block Administration	16.523		02-JB-ADM-0291 03-JB-ADM-0292	6,406 12,156
Total Juvenile Accountability Incentive Block				373,180
Juvenile Justice Delinquency Prevention Block (Title V)	16.548		01JV-1016	2,449
Juvenile Justice Delinquency Prevention Block (Title II)	16.548		02JJ-1095 03JJ-1095	39,353 88,481
Juvenile Justice Delinquency Prevention Block (Title II) Administration	16.548		02-JJ-ADM-0287 03-JJ-ADM-0287	10,297 10,038
Total Juvenile Justice Delinquency Prevention Block (Title II)				148,169
Passed through the Office of Criminal Justice Services:				
Narcotics Control Block Grant	16.579	83-48-981000	03DG-1037	520,691
Anti-Drug Administration	16.579	83-48-981000	02-DG-ADM-7575 03-DG-ADM-7575	32,540 52,976
Total Narcotics Control Block				606,207
Violence Against Women Block Grant	16.588		03WF-1038	212,108
Violence Against Women Act Administration	16.588	83-48-981000	02-WF-ADM-8826 03-WF-ADM-8826	635 13,721
Total Violence Against Women Block Grant				226,464
Passed through the Office of the Clerk of Court Toledo Municipal Court				
System Approach for Effective Tracking and Identification Grant	16.710		03-WE-BX-0027	117,455
Total Expenditures of Federal Awards	-22-			\$ 1,473,924

**CRIMINAL JUSTICE COORDINATING COUNCIL
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
December 31, 2004**

Note 1—Basis of presentation

The federal grant operations are included in the scope of the Office of Management and Budget's (OMB) Circular A-133 audit (Single Audit). The Single Audit was performed in accordance with the provisions of the OMB *Compliance Supplement for Single Audits of States, Local Government, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the combined financial statements.

The accompanying schedule of expenditures of federal awards includes all federal grants to the CJCC which had activity during the year ended December 31, 2004. This schedule has been prepared on the cash basis of accounting. Grant revenues are recorded for financial reporting purposes when the CJCC has met the qualifications for the respective grants. Certain funds are passed on to subrecipients upon receipt.

Note 2—Subrecipient grants

The CJCC provided disbursements under federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided To Subrecipients</u>
Juvenile Accountability Incentive Block	16.523	\$ 354,618
Juvenile Justice Delinquency Prevention Block (Title V)	16.548	2,449
Juvenile Justice Delinquency Prevention Block (Title II)	16.548	127,834
Violence Against Women Block Grant	16.588	212,108
Narcotics Control Block Grant	16.579	520,691
		<u>\$ 1,217,700</u>

GILMORE, JASION & MAHLER, LTD

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Council Members
Criminal Justice Coordinating Council
Toledo, Ohio

We have audited the financial statements of the Criminal Justice Coordinating Council (CJCC) as of and for the year ended December 31, 2004, and have issued our report thereon, dated March 11, 2005. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Criminal Justice Coordinating Council'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*. However, we noted certain immaterial instances of noncompliance, which we reported to management of Criminal Justice Coordinating Council in a separate letter dated March 11, 2005.

Kevin M. Gilmore, CPA, CVA

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Criminal Justice Coordinating Council'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 caused by error or fraud 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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the CJCC in a separate letter dated March 11, 2005.

Adele M. Jasion, CPA

Andrew L. Mahler,
CPA, CVA, CFFA

J. Stephen Schult, CPA

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

This report is intended solely for the information and use of the Council members, the CJCC's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Debra S. Gossman, CPA

Debra S. Gossman, CPA
Gilmore, Jasion & Mahler, LTD

March 11, 2005

GILMORE, JASION & MAHLER, LTD

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Council Members
Criminal Justice Coordinating Council
Toledo, Ohio

Compliance

We have audited the compliance of the Criminal Justice Coordinating Council (CJCC) with the types of compliance requirements described in the U.S. Office of Management and Budget's (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2004. The Criminal Justice Coordinating Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Criminal Justice Coordinating Council's management. Our responsibility is to express an opinion on the Criminal Justice Coordinating Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the CJCC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the CJCC's compliance with those requirements.

In our opinion, the CJCC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004. However, we noted certain immaterial instances of noncompliance, which we reported to management of Criminal Justice Coordinating Council in a separate letter dated March 11, 2005.

Internal Control Over Compliance

The management of the CJCC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the CJCC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Kevin M. Gilmore, CPA, CVA

Adele M. Jasion, CPA

Andrew L. Mahler,
CPA, CVA, CFFA

J. Stephen Schult, CPA

Philip J. Newlove, CPA

Linda J. Hillstrom, CPA

Debra S. Gossman, CPA

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Council Members, the CJCC management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gilmore, Jason & Mahler, LTD

March 11, 2005

**CRIMINAL JUSTICE COORDINATING COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2004**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	No
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
16.579	Narcotics Control Block Grant
16.548	Juvenile Justice Delinquency Prevention Block Grant

Dollar threshold used to distinguish between type A and type B programs	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**CRIMINAL JUSTICE COORDINATING COUNCIL
SCHEDULE OF STATUS OF PRIOR YEAR (2003) AUDIT FINDINGS**

There were no reportable findings for the year ended December 31, 2003.



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

CRIMINAL JUSTICE COORDINATING COUNCIL

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
JUNE 16, 2005**