

# *Multi-County Juvenile Attention System*

## *AUDIT REPORT*

*FOR THE YEAR ENDED DECEMBER 31, 2006*

*Charles E. Harris and Associates, Inc.*  
Certified Public Accountants and Government Consultants





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Multi-County Juvenile Attention System, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. 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 Multi-County Juvenile Attention System is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 20, 2007

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**MULTI-COUNTY JUVENILE ATTENTION SYSTEM  
AUDIT REPORT**

For the year ended December 31, 2006

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REPORT OF INDEPENDENT ACCOUNTANTS

Multi-County Juvenile Attention System  
Stark County  
815 Faircrest Street, S.W.  
Canton, Ohio 44706-4844

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Multi-County Juvenile Attention System (the System) as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the 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 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the System as of December 31, 2006, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 23, 2007 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***

May 23, 2007

Multi-County Juvenile Attention System  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006

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The discussion and analysis of the Multi-County Juvenile Attention System (the "System") financial performance provides an overall review of the System's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the System's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the System's financial performance.

### **Financial Highlights**

Key financial highlights for 2006 are as follows:

- General revenues accounted for \$136,116 in revenue or 1.25 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$10,748,287 or 98.75 percent of total revenues of \$10,884,403.
- Total program expenses were \$11,385,791.
- Net assets decreased \$501,388, which represents a 7.05 percent decrease from 2005.

### **Using this Annual Financial Report**

This report is designed to allow the reader to look at the financial activities of the Multi-County Juvenile Attention System as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the System operations, as they prefer.

The Statement of Net Assets and the Statement of Changes in Net Assets provide information from a summary perspective showing the effects of the operations for the year 2006 and how they affected the operations of the System as a whole.

### **Reporting the System as a Whole**

#### *Statement of Net Assets and the Statement of Activities*

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole System, presenting both an aggregate view of the System's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the System's most significant fund with all other nonmajor funds presented in total in one column. In the case of the Multi-County Juvenile Attention System, the general fund in the most significant fund.

A question typically asked about the System's finances "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.



Multi-County Juvenile Attention System  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006

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These two statements report the System's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the System as a whole, the *financial position* of the System has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the System's programs and services, which consist entirely of children services.

**Reporting the System's Most Significant Fund**

The analysis of the System's major fund begins on page 11. Fund financial reports provide detailed information about the System's major fund. The System uses several funds to account for financial transactions. However, these fund financial statements focus on the System's most significant fund. The System's major governmental fund is the general fund.

**Governmental Funds** - The System's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the System's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The System adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Fiduciary Fund** – The System acts in a trustee capacity as an agent a private organization. This activity is reported in an agency fund. The System's fiduciary activity is reported in a separate Statement of Fiduciary Assets and Liabilities on page 16. This activity is excluded from the System's other financial statements because the assets cannot be utilized by the System to finance its operations.

Multi-County Juvenile Attention System  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006

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**The System as a Whole**

Recall that the Statement of Net Assets provides the perspective of the System as a whole. Table 1 provides a summary of the System's net assets for 2006 compared to 2005:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Current and Other Assets	\$ 1,891,476	\$ 2,207,419
Capital Assets	6,317,351	6,527,576
<i>Total Assets</i>	8,208,827	8,734,995
<b>Liabilities</b>		
Current and Other Liabilities	1,056,530	1,091,141
Long-Term Liabilities	537,993	528,162
<i>Total Liabilities</i>	1,594,523	1,619,303
<b>Net Assets</b>		
Invested in Capital Assets	6,317,351	6,527,576
Restricted for Other Purposes	27,403	49,326
Unrestricted	269,550	538,790
<i>Total Net Assets</i>	\$ 6,614,304	\$ 7,115,692

Total assets decreased by \$526,168. This decrease was the result of decrease in capital assets, which was due to depreciation expense.

Total liabilities decreased by \$24,780. This decrease was the result of a decrease in accrued wages, due to the timing of payrolls at year-end.

Multi-County Juvenile Attention System  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006

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This table presents two fiscal years in side-by-side comparisons. This will enable the reader to draw further conclusion about the System's financial status and possibly project future problems.

**(Table 2)**  
**Changes in Net Assets – Governmental Activities**

	2006	2005
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 9,114,653	\$ 8,202,657
Operating Grants and Contributions	1,633,634	2,002,580
<i>General Revenue:</i>		
Miscellaneous	136,116	128,274
<i>Total Revenues</i>	10,884,403	10,333,511
 <b>Program Expenses</b>		
Children Services	11,385,791	10,579,957
<i>Decrease in Net Assets</i>	(501,388)	(246,446)
 <i>Net Assets Beginning of Year</i>	7,115,692	7,362,138
 <i>Net Assets End of Year</i>	\$ 6,614,304	\$ 7,115,692

**Governmental Activities**

The program revenues for the governmental activities comes from several different sources, the most significant being charges to the member counties for services provided to juveniles who are residents of the counties. Other prominent sources are grants and intergovernmental revenue.

General revenue includes miscellaneous revenues.

Multi-County Juvenile Attention System  
 Management's Discussion and Analysis  
 For the Year Ended December 31, 2006

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**The System's Funds**

The System's governmental funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$10,910,443 and expenditures of \$11,165,735.

**General Fund Budgeting Highlights**

The System's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2006, the System amended its general fund budget on several occasions. The System uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was \$10,300,932 representing a \$73,362 decrease from the original budget estimates of \$10,374,294. Most of this difference was attributable to decreased contract services revenue. The System's general fund balance at the end of the year was \$803,633 reflecting additional funds budgeted but not expended or encumbered.

**Capital Assets**

At the end of year 2006, the System had \$6,317,351 invested in land, buildings, building improvements, furniture, equipment and vehicles. Table 3 shows fiscal year 2006 balances compared with 2005.

**(Table 3)**  
**Capital Assets at December 31**  
**(Net of Depreciation)**

	Governmental Activities	
	2006	2005
Land	\$ 27,400	\$ 27,400
Buildings and Building Improvements	5,479,365	5,731,738
Furniture and Equipment	570,030	557,966
Improvements Other Than Buildings	6,063	6,743
Vehicles	234,493	203,729
	\$ 6,317,351	\$ 6,527,576

The \$210,225 decrease in capital assets was attributable to depreciation expense exceeding additional purchases. Note 5 provides capital asset activity during the 2006 year.

Multi-County Juvenile Attention System  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006

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**Current Financial Related Activities**

The major revenue source for the System is funding provided by the participating counties. Specific amounts paid by each participating county are computed based on a formula of population and usage. The revenue from the counties is expected to be sufficient to maintain a breakeven cash flow. The System also receives a State of Ohio grant for the operations of the Community Corrections Facility, as well as revenue from the United States Department of Agriculture. No significant changes are anticipated for this funding source.

**Contacting the System's Finance Department**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the System's finances and to show the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Catherine Fithian, Director of Administrative Services of Multi-County Juvenile Attention System, 815 Faircrest St. S.W., Canton, Ohio 44706, or e-mail [cmfithian@mcjas.org](mailto:cmfithian@mcjas.org).

**Multi-County Juvenile Attention System**

*Statement of Net Assets*

*December 31, 2006*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,394,982
Accounts Receivable	400,785
Intergovernmental Receivable	43,516
Materials and Supplies Inventory	25,117
Prepaid Items	27,076
Nondepreciable Capital Assets	27,400
Depreciable Capital Assets (Net)	<u>6,289,951</u>
<i>Total Assets</i>	<u>8,208,827</u>
<b>Liabilities</b>	
Accounts Payable	455,594
Accrued Wages	282,982
Intergovernmental Payable	317,954
Long Term Liabilities:	
Due Within One Year	281,547
Due In More Than One Year	<u>256,446</u>
<i>Total Liabilities</i>	<u>1,594,523</u>
<b>Net Assets</b>	
Invested in Capital Assets	6,317,351
Restricted for Other Purposes	27,403
Unrestricted	<u>269,550</u>
<i>Total Net Assets</i>	<u><u>\$ 6,614,304</u></u>

See accompanying notes to the basic financial statements.

**Multi-County Juvenile Attention System**  
*Statement of Activities*  
For the Year Ended December 31, 2006

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Human Services:				
Children Services	\$ 11,385,791	\$ 9,114,653	\$ 1,633,634	\$ (637,504)
<i>Total Governmental Activities</i>	<u>\$ 11,385,791</u>	<u>\$ 9,114,653</u>	<u>\$ 1,633,634</u>	<u>(637,504)</u>
		<b>General Revenues</b>		
		Miscellaneous		<u>136,116</u>
		Change in Net Assets		(501,388)
		<i>Net Assets Beginning of Year</i>		<u>7,115,692</u>
		<i>Net Assets End of Year</i>		<u>\$ 6,614,304</u>

See accompanying notes to the basic financial statements.

**Multi-County Juvenile Attention System**

*Balance Sheet  
Governmental Funds  
December 31, 2006*

	<u>General</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,394,982	\$ 0	\$ 1,394,982
Accounts Receivable	400,785	0	400,785
Intergovernmental Receivable	16,113	27,403	43,516
Materials and Supplies Inventory	25,117	0	25,117
Prepaid Items	27,076	0	27,076
<i>Total Assets</i>	<u>\$ 1,864,073</u>	<u>\$ 27,403</u>	<u>\$ 1,891,476</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 455,594	\$ 0	\$ 455,594
Accrued Wages	282,982	0	282,982
Intergovernmental Payable	317,954	0	317,954
Deferred Revenue	164,016	0	164,016
<i>Total Liabilities</i>	<u>1,220,546</u>	<u>0</u>	<u>1,220,546</u>
<b>Fund Balances</b>			
Fund Balance:			
Reserved for Encumbrances	213,847	0	213,847
Undesignated, Unreserved Reported in:			
General Fund	429,680	0	429,680
Special Revenue Fund	0	27,403	27,403
<i>Total Fund Balances</i>	<u>643,527</u>	<u>27,403</u>	<u>670,930</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,864,073</u>	<u>\$ 27,403</u>	<u>\$ 1,891,476</u>

See accompanying notes to the basic financial statements.



**Multi-County Juvenile Attention System**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2006*

<b>Total Governmental Fund Balances</b>		\$ 670,930
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		6,317,351
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Intergovernmental Revenue	\$ 11,833	
Charges for Services	152,183	
Total	164,016	164,016
Compensated absences payable are not due and payable in the current period and therefore are not reported in the fund .		(537,993)
<i>Net Assets of Governmental Activities</i>		<b>\$ 6,614,304</b>

See accompanying notes to the basic financial statements.

**Multi-County Juvenile Attention System**  
*Statement of Revenues, Expenditures and Changes in*  
*Fund Balances - Governmental Funds*  
*For the Year Ended December 31, 2006*

	General	Other Governmental Fund	Total Governmental Funds
<b>Revenues</b>			
Intergovernmental	\$ 1,313,851	\$ 309,553	\$ 1,623,404
Gift and Donations	5,255	0	5,255
Tuition	374,593	0	374,593
Sales	1,340	0	1,340
Board and Care	1,019,362	0	1,019,362
Contract Services	7,750,373	0	7,750,373
Other	136,116	0	136,116
<i>Total Revenues</i>	<u>10,600,890</u>	<u>309,553</u>	<u>10,910,443</u>
<b>Expenditures</b>			
Current:			
Human Services			
Children Services			
Personal Services	5,856,277	0	5,856,277
Fringe Benefits	2,913,615	0	2,913,615
Materials and Supplies	417,802	331,476	749,278
Contractual Services	1,260,398	0	1,260,398
Capital Outlay	330,310	0	330,310
Other	55,857	0	55,857
<i>Total Expenditures</i>	<u>10,834,259</u>	<u>331,476</u>	<u>11,165,735</u>
<i>Net Change in Fund Balance</i>	(233,369)	(21,923)	(255,292)
<i>Fund Balances Beginning of Year</i>	<u>876,896</u>	<u>49,326</u>	<u>926,222</u>
<i>Fund Balances End of Year</i>	<u>\$ 643,527</u>	<u>\$ 27,403</u>	<u>\$ 670,930</u>

See accompanying notes to the basic financial statements.

**Multi-County Juvenile Attention System**  
*Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2006*

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Net Change in Fund Balances - Total Governmental Funds \$ (255,292)

***Amounts reported for governmental activities in the  
statement of activities are different because:***

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	\$ 192,071	
Current Year Depreciation	<u>(392,738)</u>	
Total		(200,667)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (9,558)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Intergovernmental	4,975	
Charges for Services	<u>(31,015)</u>	
Total		(26,040)

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		<u>(9,731)</u>
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*Change in Net Assets of Governmental Activities* \$ (501,288)

See accompanying notes to the basic financial statements.

**Multi-County Juvenile Attention System**  
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 1,516,318	\$ 1,516,318	\$ 1,369,934	\$ (146,384)
Gift and Donations	0	0	5,255	5,255
Tuition	317,600	317,600	359,548	41,948
Sales	0	0	1,340	1,340
Board and Care	750,000	750,000	972,940	222,940
Contract Services	7,679,376	7,606,014	7,653,219	47,205
Other	111,000	111,000	136,116	25,116
<i>Total Revenues</i>	10,374,294	10,300,932	10,498,352	197,420
<b>Expenditures:</b>				
Current:				
Human Services:				
Children Services				
Personal Services	6,036,628	6,036,628	5,988,324	48,304
Fringe Benefits	3,001,900	3,001,900	2,884,220	117,680
Materials and Supplies	553,871	475,365	470,776	4,589
Contractual Services	1,520,293	1,669,799	1,594,301	75,498
Capital Outlay	448,484	521,846	496,763	25,083
Other	157,145	157,145	69,845	87,300
<i>Total Expenditures</i>	11,718,321	11,862,683	11,504,229	358,454
<i>Net Change in Fund Balance</i>	(1,344,027)	(1,561,751)	(1,005,877)	555,874
<i>Fund Balance Beginning of Year</i>	892,118	892,118	892,118	0
Prior Year Encumbrances Appropriated	917,392	917,392	917,392	0
<i>Fund Balance End of Year</i>	\$ 465,483	\$ 247,759	\$ 803,633	\$ 555,874

See accompanying notes to the basic financial statements.

**Multi-County Juvenile Attention System**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*December 31, 2006*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>2,747</u>
<b>Liabilities</b>	
Undistributed Monies	\$ <u>2,747</u>

See accompanying notes to the basic financial statements.

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

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**NOTE 1: REPORTING ENTITY**

Multi-County Juvenile Attention System, Stark County, (the “System”) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The System is directed by an eighteen-member Board of Trustees from Carroll, Columbiana, Holmes, Stark, Tuscarawas, and Wayne Counties. The System provides facilities for juveniles for training, treatment, and rehabilitation as directed by the Juvenile Courts. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

The reporting entity is required to be comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the System are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the System. For the System, this includes general operations.

Component units are legally separate organizations for which the System is financially accountable. The System is financially accountable for an organization if the System appoints a voting majority of the organization’s governing board and (1) the System is able to significantly influence the programs or services performed or provided by the organization; or (2) the System is legally entitled to, or can otherwise access, the organization’s resources; the System is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the System is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the System in that the System approves the budget, the issuance of debt or the levying of taxes. The System does not have any component units.

The System is involved with the Stark County School Council of Governments Health Benefits Program, which is defined as a jointly governed organization. Additional information concerning the jointly governed organization is presented in Note 11.

Management believes the basic financial statements included in the report represent all of the funds of the System over which the System has the ability to exercise direct operating control.

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the System have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The System also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the System's accounting policies are described below.

***A. Basis of Presentation***

The System's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the System as a whole. These statements include the financial activities of the primary government, except for fiduciary fund.

The statement of net assets presents the financial condition of the governmental activities of the System at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the System's governmental activities of the System. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the System, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the System.

***Fund Financial Statements*** During the year, the System segregates transactions related to certain System functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the System at this more detailed level. The focus of governmental fund financial statements is on the major fund. The major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

***B. Fund Accounting***

The System uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds: governmental and fiduciary.

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the System's major governmental fund:

**General Fund** The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the System for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental fund of the System accounts for grants and other resources whose use is restricted to a particular purpose.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the System under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the System's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The System's only fiduciary fund is an agency fund that accounts for donations received for a gang assessment program in conjunction with Stark County Citizens' Council for Non-Violence and Kent State University.

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the System are included on the Statement of Net Assets. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.



**MULTI-COUNTY JUVENILE ATTENTION SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The fiduciary fund also uses the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the System, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the System receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the System must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the System on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: school tuition, board and care, grants and entitlements.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***E. Pooled Cash and Cash Equivalents***

The Stark County Auditor acts as the fiscal agent for the System, and the County Treasurer maintains a cash and investment pool, including all funds for which the County Auditor is the fiscal agent. The County Treasurer is custodian for the System's cash. The System's cash is held in the County's cash and investment pool, and are valued at the County Treasurer's carrying amount.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2006 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

***G. Materials and Supplies Inventory***

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories consist of purchased food.

***H. Capital Assets***

All capital assets of the System are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The System maintains a capitalization threshold of \$300. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except for land and construction-in-progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Building Improvements	30 Years
Equipment	10 Years
Improvements Other Than Buildings	10 Years
Vehicles	10 Years

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***I. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The System records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the System has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year end, taking into consideration any limits specified in the System's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee will be paid.

***J. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and special termination benefits, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

***K. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The System applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***L. Fund Balance Reserves***

The System reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances.

***M. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the System Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

***N. Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***O. Budgetary Data***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Trustees may appropriate. The County Budget Commission must also approve the annual appropriation measure. Budgetary modifications may only be made by resolution of the Board of Trustees at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the System. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were enacted by the Board of Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Trustees during the year.

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***T. Changes in Accounting Principles***

For the year ended December 31, 2006, the System has implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and Statement No. 47, *Accounting for Termination Benefits*.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements. At December 31, 2006, none of the System's net assets were restricted by enabling legislation.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitations as to the period of time during which the benefits are offered.

The implementation of these GASB statements did not have an effect on the financial statements of the System.

**NOTE 3: BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditure/expenses (budget) rather than as a reservation of fund balance (GAAP).

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2006**

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**NOTE 3: BUDGETARY BASIS OF ACCOUNTING (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

<b>Net Change in Fund Balance</b>	
	General Fund
GAAP Basis	\$ (233,369)
Revenue accruals	(102,538)
Expenditure accruals	(78,621)
Encumbrances	<u>(591,349)</u>
Budget Basis	<u>\$ (1,005,877)</u>

**NOTE 4: RECEIVABLES**

Receivables at December 31, 2006 consisted of accounts (school tuition and board and care) and intergovernmental receivables arising from grants, entitlements and shared revenues. Accounts and intergovernmental receivables are deemed collectible in full.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Wayne County Title VI E	\$ 16,113
USDA Reimbursement	<u>27,403</u>
Total All Funds	<u>\$ 43,516</u>

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

**NOTE 5: CAPITAL ASSETS**

A summary of changes in capital assets during 2006 follows:

	Balance 12/31/2005	Additions	Deletions	Balance 12/31/2006
<b>Governmental Activities:</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 27,400	\$ 0	\$ 0	\$ 27,400
<i>Capital Assets, being depreciated:</i>				
Buildings and Building Improvements	10,129,676	0	0	10,129,676
Furniture and Equipment	1,133,206	120,135	(26,508)	1,226,833
Improvements Other Than Buildings	6,800	0	0	6,800
Vehicles	409,435	71,936	(19,809)	461,562
<i>Total Capital Assets, being depreciated</i>	<u>11,679,117</u>	<u>192,071</u>	<u>(46,317)</u>	<u>11,824,871</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(4,397,938)	(252,373)	0	(4,650,311)
Furniture and Equipment	(575,240)	(100,659)	19,096	(656,803)
Improvements Other Than Buildings	(57)	(680)	0	(737)
Vehicles	(205,706)	(39,026)	17,663	(227,069)
<i>Total Accumulated Depreciation</i>	<u>(5,178,941)</u>	<u>(392,738) *</u>	<u>36,759</u>	<u>(5,534,920)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>6,500,176</u>	<u>(200,667)</u>	<u>(9,558)</u>	<u>6,289,951</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 6,527,576</u>	<u>\$ (200,667)</u>	<u>\$ (9,558)</u>	<u>\$ 6,317,351</u>

\*Depreciation expense was charged entirely to children services governmental function.

**NOTE 6: GENERAL LONG-TERM OBLIGATIONS**

The changes in the System's long-term obligations during the fiscal year 2006 were as follows:

	Outstanding 01/01/06	Additions	Reductions	Outstanding 12/31/06	Due Within One Year
Compensated Absences	<u>\$ 528,162</u>	<u>\$ 99,708</u>	<u>\$ (89,877)</u>	<u>\$ 537,993</u>	<u>\$ 281,547</u>

Compensated absences will be paid from the general fund.

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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**NOTE 7: RISK MANAGEMENT**

***A. General Insurance***

The System is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets and natural disasters. In May 2006, MCJAS joined CORSA, County Risk Sharing Authority. There was a significant increase in coverage including liability coverage. The deductible is \$2,500 per incident.

***B. Fidelity Bond***

The superintendent is covered under a surety bond in the amount of \$1,000,000.

***C. Workers' Compensation***

The System pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs to provide coverage to employees for job related injuries.

***D. Risk Sharing Pool***

The System has contracted with Stark County Schools Council of Governments (the "Council") to provide employee medical/surgical benefits. The Council is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

The intent of the insurance pool is to achieve a reduced, stable and competitive rate for the System by grouping with other members of the Health Benefits Program. The experience of all participating entities is calculated as one and a common premium rate is applied to all member entities.

Rates are set through an annual calculation process. The System pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating entities. The employees share the cost of the monthly premium with the Board. For fiscal year 2006 the System's and the employee's premiums for health and dental insurance were \$956.71 and \$44.15 for family coverage and \$395.40 and \$18.18 for single coverage per employee per month, respectively. The dental insurance is provided by the System to qualified employees through the Stark County Schools Council of Governments. For fiscal year 2006, the System's cost was \$113.87 for family coverage and \$46.11 for single coverage per employee per month. Claims are paid for all participants regardless of claims flow. Upon termination, all System claims would be paid without regard to the System's account balance. The Stark County Schools Council of Government Board of Directors has the right to return monies to an existing entity subsequent to the settlement of all expenses and claims.



**MULTI-COUNTY JUVENILE ATTENTION SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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**NOTE 8: DEFINED BENEFIT PENSION PLANS**

*Ohio Public Employees Retirement System*

The System participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The System pays 4.25 percent of the 9.0 percent employee contribution as an additional benefit to employees hired prior to November 24, 2005. The System's contribution rate for pension benefits was 9.2 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The System's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005 and 2004 were \$544,021, \$562,584 and \$496,240, respectively; 82 percent has been contributed for 2006 and 100 percent for 2005 and 2004.

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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**NOTE 9: POSTEMPLOYMENT BENEFITS**

*Ohio Public Employees Retirement System*

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by state statute. The 2006 employer contribution rate was 13.7 percent of covered payroll; 4.5 percent was the portion that was used to fund health care for 2006.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 percent and 6.00 percent annually for the next nine years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006, which were used to fund postemployment benefits were \$266,097. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

**NOTE 10: OTHER EMPLOYEE BENEFITS**

*Compensated Absences*

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Vacation is accumulated based upon length of service as follows:

<u>Employee Years of Service</u>	<u>Hours Earned per Year</u>
1 - 7	80
8 - 14	120
15 - 24	160
Over 24 years	200

**MULTI-COUNTY JUVENILE ATTENTION SYSTEM  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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**NOTE 10: OTHER EMPLOYEE BENEFITS (Continued)**

Vacation accumulation is limited to a maximum of that earned in three years of service at the employee's current rate of accumulation. All accumulated unused vacation time is paid upon termination of employment. In the case of death of the employee, a lump sum check will be paid to the employee's beneficiary or estate.

Employees earn sick leave at the rate of 4.6 hours for every 80 hours worked. Accumulation of sick leave is unlimited, but payment of sick leave upon retirement is one-quarter of the sick leave balance, not exceed 240 hours. If employment is terminated, payment of sick leave will occur if the employee has ten or more years of service. As of December 31, 2006, the total liability for unpaid compensated absences was \$537,993.

**NOTE 11: JOINTLY GOVERNED ORGANIZATIONS**

***Public Entity Risk Pools***

The Stark County Schools Council of Governments Health Benefits Program is a shared risk pool. The Council is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly elects officers for two-year terms to serve as the Board of Directors. The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to the Stark County Educational Service Center, 2100 38<sup>th</sup> Street NW, Canton, OH 44709.

**NOTE 12: CONTINGENCIES**

***A. Grants***

The System received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the System at December 31, 2006.

***B. Litigation***

The System is not involved in any legal proceedings.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

The Multi-County Juvenile Attention System  
Stark County  
815 Faircrest Street, S.W.  
Canton, Ohio 44706-4844

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Multi-County Juvenile Attention System, Stark County, Ohio (the System) as of and for the year ended December 31, 2006, which collectively comprise the System's financial statements and have issued our report thereon dated May 23, 2007. 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.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the System's financial statements that is more than inconsequential will not be prevented or detected by the System's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the System's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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*.

This report is intended solely for the information and use of the management, the Board and the audit committee is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris and Associates, Inc.***

May 23, 2007

**STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, as of December 31, 2005, reported no material citations or recommendations.



**Mary Taylor, CPA**  
Auditor of State

**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  
AUGUST 30, 2007**