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VERNON YOUTH SERVICES, INC.
LEESVILLE, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE TWO YEARS ENDED
JUNE 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-2-00

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UNQUALIFIED OPINION ON GENERAL-PURPOSE FINANCIAL STATEMENTS-GOVERNMENTAL ENTITY

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vernon Youth Services, Inc.
Leesville, Louisiana:

I have audited the accompanying general-purpose financial statements of Vernon Youth Services, Inc., as of and for the two years ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of Vernon Youth Services, Inc.'s management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Vernon Youth Services, Inc. as of and for the two years ended June 30, 1999, and the results of its operations for the two years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 10, 1999, on my consideration of Vernon Youth Services, Inc.'s internal control over financial reporting and my tests of its compliance with laws, regulations, contracts and grants.

The year 2000 supplementary information on page 23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the supplementary information. However, I did not audit the information and do not express an opinion on it. In addition, I do not provide assurance that Vernon Youth Services, Inc. is or will become year 2000 compliant, that Vernon Youth Services, Inc.'s 2000 remediation efforts will be successful in whole or in part, or that parties with which Vernon Youth Services, Inc. does business are or will become year 2000 compliant.

My audit was conducted for the purpose of forming an opinion on the general-purpose financial statements of Vernon Youth Services, Inc. taken as a whole. The accompanying financial information listed as additional information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Vernon Youth Services, Inc.. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Elliott & Assoc. "APAC"

Leesville, Louisiana
December 10, 1999

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

Board of Directors
Vernon Youth Services, Inc.
Leesville, Louisiana:

I have audited the financial statements of Vernon Youth Services, Inc. as of and for the two years ended June 30, 1999, and have issued my report thereon dated December 10, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Vernon Youth Services, Inc.'s financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Vernon Youth Services, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provided assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting 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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, Vernon Youth Services, Inc., and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Elliott & Assoc. "APAC"
Leesville, Louisiana
December 10, 1999

Vernon Youth Services, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Two Years Ended June 30, 1999

I have audited the financial statements of Vernon Youth Services, Inc., as of and for the two years ended June 30, 1999, and have issued my report thereon dated December 10, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 1999 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance
Material to the Financial Statements

Internal Control

Material Weaknesses Yes No
Reportable Conditions Yes No

Compliance

Compliance Material to Financial
Statements Yes No

b. Federal Awards

Internal Control

Material Weaknesses Yes No N/A
Reportable Conditions Yes No N/A

Type of Opinion On Compliance For Major Programs

Unqualified Qualified
Disclaimer Adverse
N/A

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?
 Yes No N/A

c. Identification of Major Programs

CFDA Number(s)	Name of Federal Program
None	None

Dollar threshold used to distinguish between Type A and Type B Programs:
\$ N/A

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?
 Yes No N/A

Section II Financial Statement Findings

N/A

Section III Federal Award Findings and Questioned Costs

N/A

See independent auditor's report.

Exhibit A

VERNON YOUTH SERVICES, INC.

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP

June 30, 1999

	Governmental <u>Fund Type</u> General <u>Fund</u>	Account <u>Group</u> General Fixed <u>Assets</u>	Total (Memorandum <u>Only</u>)
<u>ASSETS</u>			
Cash (Note 6)	\$ 35	\$ ---	\$ 35
Accounts Receivable (Note 2)	25,351	---	25,351
Furniture and equipment (Note 5)	---	80,251	80,251
Total assets	<u>\$ 25,386</u>	<u>\$80,251</u>	<u>\$105,637</u>
<u>LIABILITIES</u>			
Cash overdraft (Note 6)	\$ 11,287	\$ ---	\$ 11,287
Accounts payable	308	---	308
Payroll taxes payable	697	---	697
Total liabilities	<u>12,292</u>	<u>---</u>	<u>12,292</u>
<u>FUND EQUITY</u>			
Fund equity:			
Investment in general fixed assets (Note 5)	---	80,251	80,251
Fund balance:			
Unreserved:			
Undesignated (Note 7)	13,094	---	13,094
Total fund balance	<u>13,094</u>	<u>---</u>	<u>13,094</u>
Total fund equity	<u>13,094</u>	<u>80,251</u>	<u>93,345</u>
Total liabilities and fund equity	<u>\$ 25,386</u>	<u>\$80,251</u>	<u>\$105,637</u>

The accompanying notes are an integral part of this statement.

VERNON YOUTH SERVICES, INC.
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND TYPE-GENERAL FUND

For the fiscal year ended June 30, 1999

REVENUES

Intergovernmental (Note 2)	\$283,545
Miscellaneous	<u>---</u>
Total revenues	<u>283,545</u>

EXPENDITURES

Current:	
Salaries	163,017
Fringe	45,921
Travel	50
Operating services	40,215
Operating supplies	29,495
Other costs	<u>---</u>
Professional services	4,994
Capital outlay (Note 5)	<u>---</u>
Total expenditures	<u>283,692</u>

Excess (deficiency) of revenues over expenditures	(147)
--	-------

FUND BALANCES

Beginning of year	<u>13,241</u>
End of year	<u>\$ 13,094</u>

The accompanying notes are an integral part of this statement.

VERNON YOUTH SERVICES, INC.
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND TYPE-GENERAL FUND

For the fiscal year ended June 30, 1998

REVENUES

Intergovernmental (Note 2)	\$272,464
Miscellaneous	<u>---</u>
Total revenues	<u>272,464</u>

EXPENDITURES

Current:	
Salaries	154,818
Fringe	46,028
Travel	186
Operating services	38,852
Operating supplies	26,142
Other costs	---
Professional services	6,206
Capital outlay (Note 5)	<u>---</u>
Total expenditures	<u>272,232</u>

Excess (deficiency) of revenues over expenditures	232
---	-----

FUND BALANCES

Beginning of year	8,909
Prior period adjustment (Note 7)	<u>4,100</u>
Beginning of year, as restated	<u>13,009</u>
End of year	<u>\$ 13,241</u>

The accompanying notes are an integral part of this statement.

VERNON YOUTH SERVICES, INC.
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND TYPE

For the fiscal year ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable) (Note 1)</u>
<u>REVENUES</u>			
Intergovernmental (Note 2)	\$283,545	\$283,545	\$ ---
Miscellaneous	<u>---</u>	<u>---</u>	<u>---</u>
Total revenues	<u>283,545</u>	<u>283,545</u>	<u>---</u>
<u>EXPENDITURES</u>			
Current:			
Salaries	164,080	163,017	1,063
Fringe	44,465	45,921	(1,456)
Travel	200	50	150
Operating services	40,500	40,215	285
Operating supplies	29,500	29,495	5
Other costs	---	---	---
Professional services	4,800	4,994	(194)
Capital outlay (Note 3)	<u>---</u>	<u>---</u>	<u>---</u>
Total expenditures	<u>283,545</u>	<u>283,692</u>	<u>(147)</u>
Excess (deficiency) of revenues over expenditures	---	(147)	(147)
<u>FUND BALANCES</u>			
Beginning of year	<u>13,241</u>	<u>13,241</u>	<u>---</u>
End of year	<u>\$ 13,241</u>	<u>\$ 13,094</u>	<u>\$ (147)</u>

The accompanying notes are an integral part of this statement.

VERNON YOUTH SERVICES, INC.
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND TYPE

For the fiscal year ended June 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable) (Note 1)</u>
<u>REVENUES</u>			
Intergovernmental (Note 2)	\$283,545	\$272,464	\$(11,081)
Miscellaneous	---	---	---
Total revenues	<u>283,545</u>	<u>272,464</u>	<u>(11,081)</u>
<u>EXPENDITURES</u>			
Current:			
Salaries	163,545	154,818	8,727
Fringe	48,000	46,028	1,972
Travel	200	186	14
Operating services	39,000	38,852	148
Operating supplies	26,500	26,142	358
Other costs	---	---	---
Professional services	6,300	6,206	94
Capital outlay (Note 3)	---	---	---
Total expenditures	<u>283,545</u>	<u>272,232</u>	<u>11,313</u>
Excess (deficiency) of revenues over expenditures	<u>---</u>	<u>232</u>	<u>232</u>
<u>FUND BALANCES</u>			
Beginning of year	8,909	8,909	---
Prior period adjustment (Note 7)	<u>4,100</u>	<u>4,100</u>	<u>---</u>
Beginning of year, as restated	<u>13,009</u>	<u>13,009</u>	<u>---</u>
End of year	<u>\$ 13,009</u>	<u>\$ 13,241</u>	<u>\$ 232</u>

The accompanying notes are an integral part of this statement.

VERNON YOUTH SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 1997

Note 1 - Nature of the Business and Summary of Significant Accounting Policies

Nature of the business:

Organization purposes:

The basic purposes of Vernon Youth Services, Inc. "VYS" are as follows:

- A. To offer short-term shelter care and treatment services for juveniles referred to them by various parish and state agencies.
- B. To offer medical services and a complete recreational program for such juveniles.
- C. To offer nutritional services to such individuals in accordance with applicable minimum standards for clinic care agencies and the USDA.
- D. To report on a weekly basis to the Office of Juvenile Services, Louisiana Department of Public Safety and Corrections the number of juveniles under their treatment plan and the types of activities.
- E. To abide by the requirements of Title VI of the Civil Rights Act of 1964 (as amended July 5, 1973) and the Vocational Rehabilitation Act of 1973 and insure that all services are delivered without discrimination due to race, color, national origin or handicap.
- F. To abide by the provisions of the Louisiana Code of Juvenile Procedure and when applicable the Federal Runaway Youth Act as contained in P. L. 93-415. VYS agrees to comply with all state licensing standards, all applicable accrediting standards, and applicable federal service standards and with all applicable state and federal laws.

VERNON YOUTH SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Nature of the Business and Summary of Significant Accounting Policies (Continued)

Significant Accounting Policies:

Financial reporting entity:

This report includes all funds and account groups which are controlled by or dependent on Vernon Youth Services, Inc. Control by or dependence on Vernon Youth Services, Inc. was determined on the basis of budget adoption, appointment of governing body, and other general oversight responsibility.

Statement of Presentation:

The accompanying financial statements conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:517 and to the guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide, Audits of State and Local Government Units.

Organization:

Vernon Youth Services, Inc. was established to provide for shelter care services for 15 youths in the Vernon Parish area in accordance with Louisiana Revised Statute 15:1092 (A) and (B).

Fund Accounting:

The accounts of Vernon Youth Services, Inc. are organized on the basis of funds and account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The various funds presented in the financial statements in this report are grouped into one generic fund type and one broad fund category as follows:

VERNON YOUTH SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Nature of the Business and Summary of Significant Accounting Policies (Continued)

Governmental Fund Types

Governmental funds are those through which most governmental functions of Vernon Youth Services, Inc. are financed. The acquisition, use, and balances of Vernon Youth Services, Inc.'s expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is Vernon Youth Services, Inc.'s governmental fund type:

General Fund - The General Fund is the general operating fund of Vernon Youth Services, Inc. It is used to account for all financial resources except those required to be accounted for in another fund.

Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental funds are maintained on the modified accrual basis of accounting wherein revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

Transfers:

Advances between funds which are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the advances are accounted for through the various due from and due to accounts.

VERNON YOUTH SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Nature of the Business and Summary of Significant Accounting Policies (Continued)

Budgets and budgetary information:

The VYS follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Louisiana Department of Public Safety - Office of Juvenile Services "DPS" - State of Louisiana notifies Vernon Youth Services, Inc. each year as to the funding levels for the current year grant.
2. The Executive Director prepares a proposed budget based on the funding levels provided by DPS and then submits the budget to the Board of Directors for approval.
3. The Board of Directors reviews and adopts the budget prior to June 30 each year.
4. The adopted budget is forwarded to the Louisiana Department of Public Safety - Office of Juvenile Services for final approval.
5. All budgetary appropriations lapse at the end of each fiscal year.
6. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Directors of the VYS. Such amendments were not material in relation to original appropriation.
7. Expenditures cannot legally exceed appropriations on an individual fund level.

Total Columns of Combined Statements - Overview:

Total columns on the combined statements - overview are captioned "memorandum only" to indicate that they are presented only to help with financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

VERNON YOUTH SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 1 - Nature of the Business and Summary of Significant Accounting Policies (Continued)

Fixed Assets:

All items of property, plant and equipment are recorded as expenditures when purchased and are accounted for in the General Fixed Assets group of accounts. Such assets are maintained on a basis of original cost and no depreciation is computed or recorded thereon. Donated fixed assets are stated at their estimated fair market value on the date donated.

Note 2 - Funding Policies and Sources of Funds

Vernon Youth Services, Inc. receives its monies on a grant basis from the Louisiana Department of Public Safety - Office of Juvenile Services. Under this method funds are received as needed or on a monthly or quarterly allocation of the total budget (grant) in advance of the actual expenditure.

Note 3 - Board of Directors' Compensation

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

Note 4 - In-Kind Contributions

Vernon Youth Services, Inc. received various in-kind contributions during the period under examination. There were inadequate records to determine proper value of these contributions. While the value of these contributions has not been reported, the offsetting expenses have not been incurred.

VERNON YOUTH SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 5 - Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance July 1, 1997	<u>Additions</u>	<u>Retirements</u>	Balance June 30, 1998
Equipment	<u>\$ 80,251</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 80,251</u>

	Balance July 1, 1998	<u>Additions</u>	<u>Retirements</u>	Balance June 30, 1999
Equipment	<u>\$ 80,251</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 80,251</u>

Note 6 - Cash Collateral

As of June 30, 1999, cash and investments held by Vernon Youth Services, Inc. was secured in full by FDIC (Federal Depositors Insurance Corporation) insurance at each of the respective financial institutions where deposited.

Note 7 - Prior Period Adjustment

During the audit period ending June 30, 1993, Vernon Youth Services, Inc. erroneously recorded a liability due to the Louisiana Department of Public Safety - Office of Juvenile Services that originated from the fiscal year ended June 30, 1993. The appropriate adjustment has been recorded this period as a prior period adjustment with a credit to the existing fund balance at June 30, 1999.

Note 8 - RISK MANAGEMENT

Vernon Youth Services's, Inc., is exposed to various risks of loss related to torts, theft or damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The VYS carries commercial insurance as outlined in the following table. Settled claims did not exceed commercial coverage for any of the past three fiscal years.

VERNON YOUTH SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 8 - RISK MANAGEMENT (Continued)

	LIMITS OF COVERAGE
Workmen's compensation	\$ 500,000
Auto liability	1,000,000
Commercial general liability	1,000,000
VYS-owned buildings and equipment	217,500

The VYS covers all other losses, claim settlements, and judgments from operating resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The VYS was not involved in any litigation nor did it have asserted claims lodged against it.

SUPPLEMENTARY DATA

VERNON YOUTH SERVICES, INC.

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

For the two years ended June 30, 1999

During the two years ended June 30, 1999 no per diem payments or other compensation payments were made to board members.

See independent auditor's report.

VERNON YOUTH SERVICES, INC.
SCHEDULE OF PRIOR YEAR FINDINGS

For the Two Years Ended June 30, 1999

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

The audit report for the year ended June 30, 1997, contained a finding related to the report not being issued within the six months of the close of its' year-end. This was a violation of LA R.S. #24:513 (A)(5)(a), but did not effect the financial statements. The current report will be issued to the Legislative Auditor within the statutory period.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

There were no prior year findings relating to internal control and compliance material to federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter with prior year audit report.

See independent auditor's report.

VERNON YOUTH SERVICES, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Two Years Ended June 30, 1999

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENT**

N/A

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
AWARDS**

N/A

SECTION III MANAGEMENT LETTER

N/A

See independent auditor's report.

VERNON YOUTH SERVICES, INC.

Required Supplemental Information
Year 2000 Supplementary Information
June 30, 1999

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

Vernon Youth Services, Inc., does not have any of its operations that are computer related as all of its records are kept manually. Furthermore, Vernon Youth Services, Inc., has no plans to change this method in the next two years.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of the related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that parties with whom Vernon Youth Services, Inc., does business will be Year 2000 ready.

See independent auditor's report.