

**SUMMIT COUNTY CHILDREN SERVICES BOARD**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**





**Auditor of State  
Betty Montgomery**

Board Members  
Summit County Children Services Board  
264 South Arlington Street  
Akron, Ohio 44306-1399

We have reviewed the *Independent Auditor's Report* of the Summit County Children Services Board, prepared by Varney, Fink & Associates, Inc., 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 Summit County Children Services Board is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

July 26, 2005

**This Page is Intentionally Left Blank.**

**SUMMIT COUNTY CHILDREN SERVICES BOARD  
INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

**TABLE OF CONTENTS**

<i>INDEPENDENT AUDITOR'S REPORT</i> .....	1
<i>Management's Discussion and Analysis</i> .....	3
 <i>BASIC FINANCIAL STATEMENTS</i>	
Government-wide Financial Statements:	
Statement of Net Assets .....	9
Statement of Activities .....	10
Fund Financial Statements:	
Balance Sheet – Governmental Fund .....	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund .....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Fund to the Statement of Activities .....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – (Non-GAAP Basis) General Fund .....	15
Notes to the Basic Financial Statements .....	16
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	34

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Summit County Children Services Board  
264 South Arlington Street  
Akron, OH 44306-1399

We have audited the accompanying financial statements of governmental activities and the major fund of the Summit County Children Services Board (SCCS), as of and for the year ended December 31, 2004, which collectively comprise SCCS's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of SCCS'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.

As discussed in Note 1, the financial statements of SCCS, are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and the major fund of Summit County, Ohio that is attributable to the transactions of SCCS. They do not purport to, and do not, present fairly the financial position of Summit County, Ohio, as of December 31, 2004, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of SCCS, as of December 31, 2004 and respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2005 on our consideration of SCCS's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report 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. That report is 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.

**INDEPENDENT AUDITOR'S REPORT** (continued)

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of 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 thereon.

VARNEY, FINK & ASSOCIATES, INC.

June 10, 2005

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

**Management's Discussion and Analysis**

The management of Summit County Children Services Board (SCCS), a special revenue fund of the County of Summit, is presenting an overview of SCCS's financial activities for the year ended December 31, 2004 in addition to the audited financial statements. This additional information is being provided to meet certain disclosure requirements of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Independent Auditor's Report, the Basic Financial Statements, Notes to the Basic Financial Statements and Supplementary Information should be read in conjunction with the following discussion. Prior year information is provided when available and applicable.

**Overview of the Basic Financial Statements**

Management's Discussion and Analysis is intended to serve as an introduction to SCCS's basic financial statements. SCCS is a special fund of the County of Summit; therefore, the statements and discussion focus on the portion of funds and transactions of SCCS and are intended to emphasize SCCS's overall financial status. The Basic Financial Statements are intended to provide a broad overview of SCCS's activities and offer short and long term financial information.

**Basic Financial Statements**

The Statement of Net Assets is based upon the principles of the Governmental Accounting Standards Board using accrual basis of accounting and these statements are similar to other governmental units. The Statement of Net Assets provides information about all of SCCS's assets and liabilities as of December 31, 2004. Changes in net assets will serve as a useful indicator of the financial health of SCCS. Tracking changes in net assets will indicate improvement or deterioration when taking into account other non-financial factors, i.e. changes in real estate tax valuations, number of referrals made to SCCS, continued levy support, etc. Since SCCS is a special fund of the County of Summit, all of its assets and liabilities are reported as Governmental Activities and are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)

The Statement of Activities illustrates how the services provided by SCCS were financed as well as what dollars remain for future spending. The Statement of Activities is divided into the following categories:

- Program Expenses
- Program Revenues
- General Revenues
- Change in Net Assets
- Net Assets at the Beginning of the Year
- Net Assets at the End of the Year



SCCS's Balance Sheet as of December 31, 2004 reports all current assets and current liabilities for the total Governmental Fund. The report is based upon modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash and therefore excludes fixed assets as well as long-term liabilities. The Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance SCCS's services and programs. The Balance Sheet is divided into the following categories:

- Assets
- Liabilities
- Fund Balances

Table 1 is a summary of the total Net Assets for SCCS. Total Net Assets decreased by \$7,760,000 or 12.22 percent during 2004. The decrease was due to the following:

- Cash, Cash Equivalents and Investments decreased \$4,817,000 during the year due to increased costs for children in Paid Placement.
- Due From Other Governments decreased \$582,000 from 2003 due to billings for placements were behind in 2003 due to the strike and were current as of December 31, 2004.
- Accounts Payable increased \$1,535,000 in 2004 due to more children being placed in Paid Placement facilities.
- Deferred Revenue for property taxes that were not available to finance current year activities increased \$618,000.

SCCS has no long-term debt related to its asset holdings.

Table 1  
Net Assets  
(In Thousands of Dollars)

	2004	2003	Governmental Activities Dollar Change	Percentage Change
<b>Assets</b>				
Current and Other Assets	\$73,189	\$78,657	(\$5,468)	-6.95%
Capital Assets, Net	12,076	12,371	(295)	-2.38%
<b>Total Assets</b>	<u>85,265</u>	<u>91,028</u>	<u>(5,763)</u>	<u>-6.33%</u>
<b>Liabilities</b>				
Current and Other Liabilities	26,790	24,958	1,832	7.34%
Long-Term Liabilities	2,758	2,593	165	6.36%
<b>Total Liabilities</b>	<u>29,548</u>	<u>27,551</u>	<u>1,997</u>	<u>7.25%</u>
<b>Net Assets</b>				
Invested in Capital Assets	12,076	12,371	(295)	-2.38%
Restricted for Children Activities	279	274	5	1.82%
Unrestricted	43,362	50,832	(7,470)	-14.70%
<b>Total Net Assets</b>	<u><u>\$55,717</u></u>	<u><u>\$63,477</u></u>	<u><u>(\$7,760)</u></u>	<u><u>-12.22%</u></u>

Table 2 is a summary of the Changes in Net Assets for SCCS. Total Revenues decrease by \$1,196, or 2.53 percent from the prior year. SCCS has been fortunate in being able to continue to take advantage of several state and Federal grants as they became available to fund program and service expansions offered by SCCS, even though it is less than last year. SCCS is also fortunate to be supported by the local community through the passage of the real estate tax levy and the many donations made to SCCS in support of its programs. The larger changes include:

- Charges for Services increased \$2,167,000 due to an increase in the number of children being placed in Paid Placements.
- Salary expenses and related benefits increased \$5,315,145. This increase is due to a five-month strike during 2003 where salaries and benefits were not paid and an extra pay period in 2004.
- Contract Service expenses increased by \$5,501,000 over 2003 as a result of more children being placed in Paid Placement facilities.
- Medical Assistance expenses decreased \$423,000 in 2004. In 2003, SCCS incurred an expenditure of \$618,000 for medically fragile children that was paid to the Ohio Department of Health Supplement. For 2004, the expense was \$19,298.

Table 2  
Net Assets  
(In Thousands of Dollars)

	2004	2003	Dollar Change	Percentage Change
<b>Revenues</b>				
<b>Program Revenues</b>				
Charges for Services	\$6,259	\$4,092	\$2,167	52.96%
Operating Grants and Contributions	16,250	17,255	(1,005)	-5.82%
<b>General Revenues</b>				
Property Taxes	23,132	25,364	(2,232)	-8.80%
Investment Earnings	33	40	(7)	-17.50%
Miscellaneous	467	586	(119)	-20.31%
<b>Total Revenues</b>	<u>46,141</u>	<u>47,337</u>	<u>(1,196)</u>	<u>-2.53%</u>
<b>Expenditures</b>				
Human Services	53,901	43,687	10,214	23.38%
<b>Increase (Decrease) in Net Assets</b>	<u>(\$7,760)</u>	<u>\$3,650</u>	<u>(\$11,410)</u>	<u>-312.60%</u>

### Activities by Program

There are several social service programs offered by SCCS. The social service programs are based on the Ohio Revised Code and Ohio Administrative Code mandates. They are grouped into eight major activities. These activities, listed below in Table 3, are reported on the cash basis of accounting method and do not take into account receivables and payables. Direct Operating Revenues include direct program and direct administration revenues. Direct Operating Expenditures include direct program and direct administration expenditures. Indirect Operating Revenues and Expenditures, which include support services, i.e. accounting, personnel, building, security, etc., are not included in this tabulation:

Table 3  
Program Budget Summary  
Direct Operating Revenues and Expenditures

	2004 Actual	2003 Actual
<b>Direct Operating Revenues</b>		
Training	\$1,044,988	\$819,488
Investigative/Initial Assessment	3,246,997	3,266,740
Preventive/Protective	4,994,602	4,643,021
Foster Care	4,653,434	3,397,101
Paid Placement	5,043,061	1,937,016
Adoption Placement and Subsidies	2,205,971	1,652,496
Receiving Unit Care	0	1,129,193
Direct Child Medical Care	620,497	441,728
Total Direct Operating Revenues	<u>\$21,809,550</u>	<u>\$17,286,783</u>
<b>Direct Operating Expenditures</b>		
Training	\$1,228,614	\$940,225
Investigative/Initial Assessment	4,626,470	3,591,406
Preventive/Protective	7,535,333	5,743,228
Foster Care	8,264,582	7,052,591
Paid Placement	14,052,073	10,800,983
Adoption Placement and Subsidies	3,209,239	2,140,769
Receiving Unit Care	0	1,374,887
Direct Child Medical Care	1,088,704	727,401
Total Direct Operating Expenditures	<u>\$40,005,015</u>	<u>\$32,371,490</u>

**Budgeting Highlights**

As a special revenue fund of the County of Summit, the SCCS budget is included in the County of Summit budgeting and reporting. SCCS’s internal budgeting process is detailed in the Notes to the Basic Financial Statements Number 2E, “Budgetary Data”.

During 2004, the budget increased \$750,000.

- The County Executive Office authorized a budget increase of \$750,000. The budget increase was the result of an increase in the number of adoptions and related subsidies, combined with closing the receiving unit at SCCS, which caused Expenses for Adoption Subsidies and Paid Placements to increase.
- Actual Charges for Services exceeded estimated revenues by \$1,063,000 due to an increase in the number of children being placed in Paid Placements and were eligible for reimbursement.
- Actual Contract Services expenditures were lower than the final budgeted amount by \$1,195,958 due to actual costs not being as high as anticipated, and therefore were under budget.
- All other budget changes were made within authorized budget line items.

At December 31, 2004, SCCS had \$12,075,775 invested in capital assets as detailed in Table 4. There was a \$295,127, or 2.4 percent decrease from December 31, 2003. The largest decrease, in all categories, except land, was related to the depreciation expense of \$419,651. The Construction in Progress expense of \$147,695 pertains to the architect fees for the planned Visitation Respite Center to be construction on the land purchased in 2002.

Table 4  
Capital Assets at Year End  
(Net of Depreciation)

Capital Asset	2004	2003	Dollar Change	Percentage Change
Land	\$1,288,532	\$1,288,532	\$0	0.00%
Buildings	10,460,532	10,803,508	(342,976)	-3.17%
Machinery and Equipment	82,934	85,560	(2,626)	-3.07%
Vehicles	96,082	50,306	45,776	91.00%
Construction in Progress	147,695	142,996	4,699	3.29%
Total Capital Assets at Year End	<u>\$12,075,775</u>	<u>\$12,370,902</u>	<u>(\$295,127)</u>	<u>-2.39%</u>

SCCS has no long-term debt related to its asset holdings.

### Economic Factors

SCCS is in an unusual situation relative to the economic conditions in the County. During times of high employment and economic outlook, Levy support is high and the demand for services is lower. Conversely, when employment and economic outlook is low, Levy support is lower and the demand for services increases. Employment and finances are major stress factors among many families. Unemployment and lack of finances can stress families to the point where there is increased use of drugs and alcohol, domestic violence, child abuse, teenage pregnancy, etc. as well as societal issues of homelessness, lack of adequate medical care, crime, etc., Initially, all concerns or referrals of suspected abuse made to SCCS are channeled through the Intake Department (Investigative/Initial Assessment) where assessment takes place; that is, the alleged abuse is either *substantiated* and a case is opened, or *unsubstantiated* and the case is closed, or *indicated* and additional assistance is provided to the family. SCCS has many programs available to provide parents support and training in order to handle many stress issues (Preventive/Protective). If necessary, the Juvenile Court of Summit County, through legal custody and an individual case plan, recommends short-term relief for the family while the parents learn to cope with their issues. At this time, the child(ren) may be placed with a family provided through foster and kinship care programs (Foster Care, Paid Placement). If a permanent removal from the family home is necessary for the child(ren), adoption services may be provided (Adoption Placement and Subsidies).

By taking advantage of many federal and state grants as well as the prudent use of tax dollars, SCCS has been able to accumulate a cash reserve. SCCS (as well as other local government agencies) is experiencing budget challenges as the state and federal budgets are being cut. The uncertainty of future funding is growing each year. Over the next three years, that is, the next levy cycle, SCCS is projecting minimal, if any increases in Federal and state funding. The result is increased reliance on the local levy dollars and the cash reserve to fund its operations and programs. SCCS expects continued support of its programs and services through the passage of the Levy.

## **Contacting SCCS's Financial Management**

This financial report is designated to provide our citizens, taxpayers, investors and creditors with a general overview of SCCS's finances and to show SCCS's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Director of Finance, Summit County Children Services Board, 264 South Arlington Street, Akron, OH 44306-1399.

**Children Services Board  
Summit County  
Statement of Net Assets  
December 31, 2004**

---

	Governmental Activities
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$41,319,613
Cash and Cash Equivalents in Segregated Accounts	198,962
Investments in Segregated Accounts	1,904,607
Receivables:	
Taxes	24,526,167
Accounts	19,854
Accrued Interest	16,196
Due from County Funds	26,503
Due from Other Governments	5,017,113
Prepaid Items	159,936
Noncurrent Assets:	
Nondepreciable Capital Assets, Net	1,436,227
Depreciable Capital Assets, Net	<u>10,639,548</u>
<i>Total Assets</i>	<u>85,264,726</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	2,831,291
Accrued Wages and Benefits	383,026
Current Portion Compensated Absences Payable	18,100
Due to Other Governments	30,828
Deferred Revenue Taxes	23,143,089
Due to County Funds	383,313
Noncurrent Liabilities:	
Compensated Absences Payable	<u>2,758,451</u>
<i>Total Liabilities</i>	<u>29,548,098</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	12,075,775
Restricted for:	
Children Activities	278,689
Unrestricted	<u>43,362,164</u>
<i>Total Net Assets</i>	<u><u>\$55,716,628</u></u>

See accompanying notes to the basic financial statements.

**Children Services Board**  
**Summit County**  
**Statement of Activities**  
**For the Fiscal Year Ended December 31, 2004**

---

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
General Government:				
Human Services	<u>\$53,901,120</u>	<u>\$6,258,513</u>	<u>\$16,249,683</u>	<u>(\$31,392,924)</u>
<b>General Revenues</b>				
Property Taxes Levied for General Purposes				\$23,132,163
Investment Earnings				33,931
Miscellaneous				<u>466,659</u>
<i>Total General Revenues</i>				23,632,753
Change in Net Assets				(7,760,171)
<i>Net Assets Beginning of Year (Restated, See Note 3)</i>				<u>63,476,799</u>
<i>Net Assets End of Year</i>				<u><u>\$55,716,628</u></u>

See accompanying notes to the basic financial statements.

**Children Services Board  
Summit County  
Balance Sheet  
Governmental Fund  
December 31, 2004**

---

	Total Governmental Fund
<b>Assets</b>	
Equity in Pooled Cash, Cash Equivalents and Investments	\$41,319,613
Cash and Cash Equivalents in Segregated Accounts	198,962
Investments in Segregated Accounts	1,904,607
Receivables:	
Taxes	24,526,167
Accounts	19,854
Accrued Interest	16,196
Due from County Funds	26,503
Due from Other Governments	5,017,113
Prepaid Items	159,936
	<u>159,936</u>
<i>Total Assets</i>	<u><u>\$73,188,951</u></u>
<b>Liabilities</b>	
Accounts Payable	\$2,831,291
Accrued Wages and Benefits	383,026
Current Compensated Absences Payable	18,100
Due to Other Governments	30,828
Deferred Revenue Taxes	24,526,167
Deferred Revenue, Other	1,360,952
Due to County Funds	383,313
	<u>383,313</u>
<i>Total Liabilities</i>	<u>29,533,677</u>
<b>Fund Balances</b>	
Reserved for Encumbrances	1,780,292
Reserved for Prepaid Items	159,935
Unreserved	41,715,047
	<u>41,715,047</u>
<i>Total Fund Balances</i>	<u>43,655,274</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$73,188,951</u></u>

See accompanying notes to the basic financial statements.



**Children Services Board**  
**Summit County**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**December 31, 2004**

---

<b>Total Governmental Funds Balances</b>		\$43,655,274
<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		12,075,775
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the fund:		
Taxes	1,383,078	
Intergovernmental	<u>1,360,952</u>	
Total		2,744,030
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Compensated Absences		<u>(2,758,451)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$55,716,628</u></u>

See accompanying notes to the basic financial statements.

**Children Services Board  
Summit County  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund  
For the Fiscal Year Ended December 31, 2004**

---

	Total Governmental Funds
<b>Revenues</b>	
Property and Other Taxes	\$21,749,085
Charges for Services	7,259,845
Intergovernmental	14,888,731
Interest	33,931
Other	<u>466,659</u>
<i>Total Revenues</i>	<u>44,398,251</u>
<b>Expenditures</b>	
Human Services	<u>53,441,328</u>
<i>Total Expenditures</i>	<u>53,441,328</u>
<i>Net Change in Fund Balance</i>	(9,043,077)
<i>Fund Balance Beginning of Year</i>	<u>52,698,351</u>
<i>Fund Balance End of Year</i>	<u><u>\$43,655,274</u></u>

See accompanying notes to the basic financial statements.

**Children Services Board  
Summit County  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of the Governmental Fund to the Statement of Activities  
For the Fiscal Year Ended December 31, 2004**

---

**Net Change in Fund Balances - Total Governmental Funds** (\$9,043,077)

*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 capital outlays exceeded depreciation in the current period.

Fixed Asset Additions	124,519	
Current Year Depreciation	<u>(419,651)</u>	
<b>Total</b>		<b>(295,132)</b>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	1,383,078	
Charges for Services	(1,001,332)	
Intergovernmental Revenue	<u>1,360,953</u>	
<b>Total</b>		<b>1,742,699</b>

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		(164,661)
----------------------	--	-----------

*Change in Net Assets of Governmental Activities* (\$7,760,171)

See accompanying notes to the basic financial statements.

**Children Services Board  
Summit County  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual (Non-GAAP Basis)  
General Fund  
For the Year Ended December 31, 2004**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$25,462,369	\$25,782,782	\$25,883,932	\$101,150
Charges for Services	5,388,320	5,388,320	6,451,821	1,063,501
Intergovernmental	14,312,340	14,312,340	14,788,692	476,352
Other	416,080	416,080	497,701	81,621
<b>Total Revenues</b>	<b>45,579,109</b>	<b>45,899,522</b>	<b>47,622,146</b>	<b>1,722,624</b>
<b>Expenditures</b>				
Personal Services	20,857,220	20,607,220	20,558,626	48,594
Benefits	7,129,284	6,550,284	6,463,858	86,426
Supplies	1,598,034	1,418,034	1,252,943	165,091
Materials	72,742	60,742	52,644	8,098
Travel	834,639	846,639	691,842	154,797
Contract Services	22,438,274	24,664,274	23,468,316	1,195,958
Other	1,980,738	1,797,738	1,568,522	229,216
Medical Expenses	577,902	720,902	669,211	51,691
Equipment	1,764,276	1,337,276	1,064,284	272,992
<b>Total Expenditures</b>	<b>57,253,109</b>	<b>58,003,109</b>	<b>55,790,246</b>	<b>2,212,863</b>
(Deficiency) of Revenues (Under) Expenditures	(11,674,000)	(12,103,587)	(8,168,100)	3,935,487
<b>Other Financing Sources</b>				
Other Financing Sources	0	0	71,335	71,335
<b>Total Other Financing Sources</b>	<b>0</b>	<b>0</b>	<b>71,335</b>	<b>71,335</b>
<b>Net Change in Fund Balance</b>	<b>(11,674,000)</b>	<b>(12,103,587)</b>	<b>(8,096,765)</b>	<b>4,006,822</b>
Fund Balance at Beginning of Year	76,621,464	40,735,286	40,735,286	0
Prior Year Encumbrances Appropriations	4,340,125	4,340,125	4,340,125	0
<b>Fund Balance at End of Year</b>	<b>\$69,287,589</b>	<b>\$32,971,824</b>	<b>\$36,978,646</b>	<b>\$4,006,822</b>

See accompanying notes to the basic financial statements.

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 1 – REPORTING ENTITY**

The Children Services Board, Summit County, Ohio (SCCS) was created to represent the community's interest in the well being of its abused, neglected and dependent children. Pursuant to Section 5153 of the Ohio Revised Code, the Board is the single agency of county government mandated to investigate, care for and/or provide services to children from birth to age eighteen or twenty-one years and who are found to be in a potentially harmful situation. Such services are provided to the family and relatives of the children and may also extend to adults who have graduated from the care of SCCS. SCCS is located in Akron, County of Summit, in northeastern Ohio.

The Board of SCCS consists of eleven members, ten members are appointed by the County Executive and approved by the County Council and one member is the Chairperson of the Citizens Advisory Committee. Members are appointed to serve four-year terms. Members represent various roles in the community.

The mission of SCCS is to protect the abused, neglected and dependent children of Summit County and promote their well being. SCCS shares the community's belief that each child has a right to be raised in a safe, permanent family and strengthening families is society's most effective way of preserving this right. The goal of SCCS is to strengthen the family unit by providing services that vary from extensive family preservation and protective services for children in their own home to adoption services for children who cannot remain in their own home. SCCS values and depends on its partnership with community agencies and private citizens to protect our County's children. Working within its mission, the Board respects the dignity, integrity and uniqueness of each family and adheres to the philosophy that governmental intrusion is warranted only when children are thought to be at risk.

The County of Summit is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The County was formed by an enabling act of the Ohio State Legislature in 1840. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the County of Summit's financial statements include all organizations, activities and functions which comprise the primary government and those legally separate entities for which the County is financially accountable. Financial accountability is defined as the appointment of a voting majority of the unit's board and either 1) the County's ability to impose its will over the unit; or 2) the possibility that the unit will provide financial benefit or impose a financial burden to the County. SCCS is not a legally separate entity. SCCS is part of the primary government of the County of Summit and is reported by the County as a special revenue fund. SCCS does not include any other units in its presentation.

As counties are structured in Ohio, the County Fiscal Officer serves as Auditor and Treasurer. The Fiscal Officer certifies the availability of cash and appropriations prior to the processing of payments and as the custodian of County funds, invests public monies held on deposit in the County treasury.

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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

The financial statements of the Children Services Board (SCCS) have been prepared in conformity with U.S. Generally Accepted Accounting Principles (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 significant accounting policies are described below.

**A. Basis of Presentation**

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities display information about SCCS as a whole. Those statements distinguish between activities that are governmental and those that are considered business-type activities. SCCS had no business-type activities during the year ended December 31, 2004.

The Statement of Net Assets presents the financial condition of the governmental activities of SCCS at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of SCCS's governmental activities. 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 and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of SCCS, with certain limited exceptions. 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 SCCS.

Fund Financial Statements – Fund financial statements are designed to present financial information of SCCS at a more detailed level. The focus of governmental financial statements is on major fund. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. SCCS has no nonmajor funds for the year ended December 31, 2004.

**B. Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equity or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. SCCS uses a governmental fund to account for its activities.

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Governmental Fund Types

Governmental funds are those which most governmental functions typically are financed. The acquisition, use and balance of SCCS's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is based upon determination of financial position and changes in financial position. Under this focus, only the sources, uses and balances of current expendable financial resources are accounted for in the funds. SCCS maintains only a general fund.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statement is prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of SCCS are included on the Statement of Net Assets. The Statement of Activities present increases (e.g. revenues and decreases (e.g. expenses)) in total net assets.

Fund Financial Statement

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 are generally included on the Balance Sheet.

The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (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 financials are prepared. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statement for governmental funds

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. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 SCCS, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which SCCS receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the 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 year when use is first permitted, matching requirements, in which SCCS must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to SCCS on a reimbursement basis. On a 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 year-end: grants and interest.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been 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.



**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

**E. Budgetary Data**

SCCS is required by state law to adopt annual budgets for its General Fund. The Summit County Council adopts an appropriations budget by January 1<sup>st</sup> of a given year or adopts a temporary appropriation measure with final passage of a permanent budget by April 1<sup>st</sup>. Budgets are adopted by major expenditure and revenue category.

Each department and program director of SCCS prepares a budget in conjunction with the Fiscal Department. The budget is reviewed by the Executive Director and presented to the Resources Committee of the Board. The Resources Committee then makes a recommendation to the Board of Directors for approval. The detailed program budget is then submitted to the Department of Finance and Budget of the County for review by the Social Service Advisory Board. The Social Service Advisory Board is committee of citizens appointed by the County Executive. The committee makes a recommendation to County Council for adoption.

Modifications and amendments, throughout the year, to the original budget must be processed by the Fiscal Department of SCCS. Major modifications are processed through the Department of Finance and Budget of the County and approved by the Board of Trustees and also through legal resolution by County Council. Each budgetary statement includes all modifications and supplemental appropriations that were necessary during the year. The County maintains budgetary control by fund, function, organizational unit and object class and does not permit expenditures and encumbrances to exceed appropriations. Unencumbered and unexpended appropriations lapse at year end in all annually budgeted funds.

SCCS's budgetary process accounts for certain transactions on a budgetary basis instead of a GAAP basis. The major differences between the budget basis and the GAAP basis are that revenues are recorded when actually received (budget) as opposed to when susceptible to accruals (GAAP) and expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). SCCS does not budget for the Children Savings Account but this account is included in the GAAP basis Statement of Revenues Expenditures and Changes in Fund Balance. Additionally, SCCS reflects outstanding encumbrances as expenditures on the budgetary basis. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The actual results of operations compared to the revised appropriations for annually budgeted governmental funds are presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – General Fund.

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The adjustments necessary to convert the results of operation for the year from the Non-GAAP Budget Basis to the GAAP Basis is as follows:

Net Change in Fund Balance	
	General
Non-GAAP Budget Basis	(\$8,096,765)
Net Adjustment for Revenue Accruals	(3,295,230)
Net Adjustment for Expenditure Accruals	4,129,211
Net Adjustment for Encumbrances	(1,780,293)
GAAP Basis	(\$9,043,077)

**F. Cash, Cash Equivalents and Investments**

Except for the Donated Funds and the Children Savings Funds, all moneys of SCCS is paid into the County treasury. It is pooled and invested in short-term investments by the Summit County Fiscal Officer in order to provide improved cash management. Individual fund integrity is maintained through the County’s financial records. Investments are stated at fair value as of December 31, 2004. For presentation on the Balance Sheet, investments with original maturities of three months or less are considered to be cash and cash equivalents.

Interest allocation is determined by the Ohio Constitution, state statutes and debt indentures. Under these provisions, the interest earned on SCCS’s funds is included in the General Fund of the County, except for the interest received on the Donated Funds and the Children Savings Funds, which is received and reported within those funds.

**G. Fixed Assets and Depreciation**

Building, machinery and equipment is stated on the basis of historical cost or, if contributed, at fair market value at the date received. In cases where information supporting original costs is not available, estimated historical costs are developed with the use of an independent appraisal report. All fixed assets which are acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition and are capitalized (recorded and accounted for). It is SCCS’s capitalization policy to exclude “infrastructure” or public domain fixed assets from being reported.

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Beginning in 2002, the County of Summit is required to apply GASB Statement 34 for its governmental units, including SCCS, and includes depreciation expense for all depreciable assets. Depreciable assets include “Buildings and Building Improvements”, “Machinery and Equipment” and “Vehicles”. Assets under the classification “Land” are not depreciated and are reported as “Non-Depreciable” on the Statement of Fund Net Assets and the Balance Sheet. For assets listed as “Depreciable”, depreciation is estimated and expenses on the Income Statement. For depreciation purposes, SCCS is using the American Hospital Association’s “Estimated Useful Lives of Depreciable Hospital Assets” to estimate the useful lives of assets owned by SCCS. These useful lives are as follows:

Buildings and Building Improvements	10 – 40 years
Machinery and Equipment	5 – 25 years
Vehicles	4 years

Depreciation is based on the pro-rata half year convention which assumes that fixed assets are acquired and disposed of throughout an accounting period and uses one full year of depreciation expense if an item is purchased within the first six months of the year or disposed of in the last six months of the year. Likewise, no depreciation expense is recognized if an item is purchases within the last six months of the year or is disposed of within the first six months of the year. Depreciation expense is determined using the straight-line method and salvage value is disregarded, if negligible or undeterminable.

**H. Accrued and Long-Term Liabilities**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability to the extent that they will not be paid with current available expendable financial resources. Payments made more than 60 days after fiscal year end are considered not to have used current available financial resources.

**I. Intercounty Transactions**

During the normal course of operations, SCCS has several transactions with other Summit County departments. These transactions include charges for services provided by one county department to another or reimbursement of shared costs of children with special needs. Intercounty transactions are recorded as charges for services and program expenditures in governmental funds.

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Reserved Fund Balance**

Reserved fund balances indicate that a portion of the fund equity is not available for current appropriation or use or is legally segregated for future use. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of the funds. Fund balance reserves have been established for encumbrances and prepaid items.

**K. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by SCCS or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**L. Compensated Absences**

Vacation and compensatory time 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. Sick leave benefits are accrued as a liability using the vested method. The liability is based on an estimate of the amount of accumulated sick leave that will probably be paid as termination benefits. The amount is based on accumulated sick leave and employee's wage rates at year end, taking into consideration any limits specified in SCCS's termination policy.

SCCS records a liability for accumulated, unused vacation for all employees with more than one year of service. The current portion of unpaid compensated absences is the amount payable using expendable available resources. These amounts are recorded as fund liabilities. The entire compensated absences liability is reported on the government-wide financial statements.

**M. Estimates**

The preparation of the 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.

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 3 - RESTATEMENT OF NET ASSETS**

Net assets have been restated to correct errors in the prior year financial statements. Revenue earned in 2003 but not received were not recognized as a receivable or revenue. Also, compensated absences did not include those employees who are expected to become eligible in the future to receive such payments.

Those corrections had the following effects on the change in net assets:

Change in Net Assets as Previously Reported	\$3,161,354
Unrecognized Revenue	1,001,334
Compensated Absences Not Recognized	(512,565)
Change in Net Assets, December 31, 2003	<u>\$3,650,123</u>

The restatement to the beginning net assets is as follows:

Net Assets as Stated at December 31, 2003	\$62,988,030
Unrecognized Revenue	1,001,334
Compensated Absences Not Recognized	(512,565)
Net Assets as Stated at January 1, 2004	<u>\$63,476,799</u>

**NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS**

Legal Requirements

Monies held by the County are classified by State statute into two categories. Active monies means an amount of public monies determined to be necessary to meet current demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the County which are not considered active are classified as inactive. Inactive monies can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivision, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investment may be made only through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)**

As a rule, Summit County does not segregate deposit and investments belonging to its individual funds. With regard to SCCS, the Ohio Revised Code does not specify that a County must segregate its deposits and investments. Consequently, the County pools the majority of SCCS’s deposits and investments. This amount is presented as cash, cash equivalents and investments on the Statement of Net Assets and the Balance Sheet in the amount of \$41,319,613 as of December 31, 2004. Information regarding the classification of the County’s deposits and investments per GASB Statement No. 3, “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements”, may be found in the County’s Comprehensive Annual Financial Report for the year ended December 31, 2004.

SCCS maintains the savings accounts for children under the care of SCCS, along with accounts for contributions and bequests that are not reflected on the County’s cash records. These balances are reported as “Cash and Cash Equivalents in Segregated Accounts” and “Investments in Segregated Accounts” to indicate that they are not part of the County treasury. At December 31, 2004, the carrying amount of SCCS’s deposits was \$198,962 and the bank balance was \$213,396. The difference between the carrying amount and the bank balance were items in transit. Included in the bank balance was \$153,918 which was insured by the FDIC. \$54,478 was uninsured and uncollateralized. Although the collateral was held by the pledging financial institution’s trust department in the SCCS’s name and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirement would potentially subject SCCS to a successful claim by the FDIC.

Investments

GASB Statement No. 3 requires that local governments disclose the carrying amounts and fair value of investments, classified by risk. Category 1 includes investments that are insured or registered or for which the securities are held by SCCS or its agent in SCCS’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in SCCS’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in SCCS’s name. Investments in mutual funds are unclassified since they are not evidenced by securities that exist in physical or book entry form

	Category 2	Fair Value
Federal Government Securities	\$1,486,999	\$1,486,999
Money Market Funds	417,608	417,608
Total	<u>\$1,904,607</u>	<u>\$1,904,607</u>

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 5 – PROPERTY TAX REVENUES**

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. 2003 real property taxes were levied after October 1, 2003 on the assessed value as of January 1, 2003, the lien date, and were collected in 2004. Assessed values are established by State Law at 35 percent of appraised market value. Public utility property taxes received in 2004 attached as a lien on December 31, 2002, were levied after October 1, 2003, and were collected with real property taxes. Public utility property taxes are assessed on tangible personal property at true value. 2004 tangible personal property taxes were levied after October 1, 2003, on the value listed as of December 31, 2003, and were collected in 2004. Tangible personal property assessments are 25 percent of true value. The assessed value upon which the 2003 taxes were collected was \$11,876,411,268. The full tax rate for all County operations applied to taxable property for fiscal year ended December 31, 2004, was \$13.07 per \$1,000 of assessed valuation, of which \$2.56 per \$1,000 of assessed valuation is for the operation of SCCS.

Real and public utility property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single-county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collection of the taxes and remittance of them to the taxing districts are accounted for in various funds of the County, including SCCS.

Property taxes receivable represent delinquent taxes, outstanding real property, public utility and tangible personal property taxes which were measurable at December 31, 2004. Total property tax collections for the next fiscal year are measurable amounts. However, since tax collections to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2004 operations, the receivable is offset by a credit to deferred revenues.

**NOTE 6 – RECEIVABLES**

Receivables at December 31, 2004, consisted of taxes, accounts, accrued interest and due from other governments. Taxes, accounts, accrued interest and due from other governments are deemed collectible in full. Intercounty receivables are reflected in Note 13 and are excluded from these figures. A listing of due from other governments is as follows:



**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 6 – RECEIVABLES (continued)**

Source of Funds	Amounts
Title IV-E Administration	\$2,690,904
State of Ohio Homestead Rollback	1,360,952
Title IV-E	836,378
Medicaid Related	51,083
Training Title XX	37,542
Cluster	13,268
Other	26,986
	<hr/>
Total	<u>\$5,017,113</u>

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004 is as follows:

	Balance 12/31/2003	Additions	Disposals	Balance 12/31/2004
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$1,288,532	\$0	\$0	\$1,288,532
Construction in Progress	142,996	4,699	0	147,695
Total Capital Assets, Not Being Depreciated	<u>1,431,528</u>	<u>4,699</u>	<u>0</u>	<u>1,436,227</u>
Capital Assets, Being Depreciated				
Buildings	13,922,456	12,205	0	13,934,661
Machinery and Equipment	572,523	32,792	(282,700)	322,615
Vehicles	324,175	96,557	(40,484)	380,248
Total Capital Assets, Being Depreciated	<u>14,819,154</u>	<u>141,554</u>	<u>(323,184)</u>	<u>14,637,524</u>
Less: Accumulated Depreciation				
Buildings	(3,118,948)	(355,181)	0	(3,474,129)
Machinery and Equipment	(486,963)	(33,888)	281,170	(239,681)
Vehicles	(273,869)	(30,582)	20,285	(284,166)
Total Accumulated Depreciation	<u>(3,879,780)</u>	<u>(419,651)</u>	<u>301,455</u>	<u>(3,997,976)</u>
Total Capital Assets, Being Depreciated, Net	<u>10,939,374</u>	<u>(278,097)</u>	<u>(21,729)</u>	<u>10,639,548</u>
Governmental Activities Capital Assets, Net	<u>\$12,370,902</u>	<u>(\$273,398)</u>	<u>(\$21,729)</u>	<u>\$12,075,775</u>

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

All employees of SCCS participate in the Ohio Public Employees Retirement System (OPERS), which administers three separate pension plans as described below:

1. The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan (MD) – 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 member and (vested) employer contributions plus any investment earnings thereon.
3. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 Plan 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. The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to: Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan.

Plan members are required to contribute 8.50 percent of their annual covered salary to fund pension benefit obligations. SCCS is required to contribute 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. SCCS's contributions to the OPERS for the years ending December 31, 2004, 2003 and 2002 were \$2,709,776, \$2,131,568 and \$2,407,101, respectively. The full amount has been contributed for 2003 and 2002. 98.10 percent has been contributed for 2004.

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)**

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

OPERS provides post-retirement 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 Post-Employment Benefit (OPEB) as described in GASB Statement No. 12, “Disclosure of Information on Post-Employment Benefits Other Than Pension Benefits by State and Local Governmental Employers”. A portion of each employer’s contribution to the OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 employer contribution rate was 13.55 percent of covered payroll; 4.0 percent was the portion that was used to fund health care for the year 2004. SCCS’s actual contributions for 2004 which were used to fund post-employment benefits were \$369,885.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

The assumptions and calculations below were based on OPERS’s latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll over and above the 4.0 percent base increase of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to “increase at the projected wage inflation rate plus an additional factor ranging from one percent to six percent for the next eight years. In subsequent years (nine and beyond) health care costs were assumed to increase at four percent (the projected wage inflation rate).

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

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

OPEB’s are advance-funded on an actuarially determined basis.

At year end 2004, the number of active contributing participants was 369,885. The actual contribution and the actuarially required contribution amounts are the same. OPERS’s net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)**

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 OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible 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.

**NOTE 10 – COMPENSATED ABSENCES**

Vacation is accumulated at varying rates ranging from two to six weeks per year depending on length of service. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. Unused vacation is payable upon termination of employment for those employees with 12 months of service. All employees earn sick leave at the rate of 4.6 hours for each 80 hours of work completed. Sick leave credit accumulates without limit. Upon retirement, an employee may be paid for 25 percent of his/her accumulated sick leave credit. Sick leave is paid at a rate equal to the hourly rate at the time of retirement, and may not exceed a total of 240 paid hours. In February, 2001, SCCS approved a retroactive sick leave policy which allowed employees classified as management and confidential to accumulate up to 720 hours. Caseworkers, public information officers, volunteer coordinators and registered nurses can also earn compensatory time up to a maximum of 80 hours. Members of management can earn compensatory time up to a maximum of 40 hours. Upon termination of employment with SCCS, caseworkers, public information officers, volunteer coordinators and registered nurses will be compensated for up to 80 hours of their unused compensatory time, while members of management will be compensated for up to 40 hours of their unused compensatory time. All vacation and compensatory time payments are made at the employee's wage rate at the time of termination.

As of December 31, 2004, the liability for compensated absences was \$2,776,551.

**NOTE 11 – OTHER EMPLOYEE BENEFITS**

SCCS provides major medical/hospitalization coverage for all regular, full-time employees through Medical Mutual of Ohio. These benefits, single and family coverage as applicable, are effective ninety (90) days from the first day of employment. Employees may select from a program of traditional coverage which requires a deductible and co-payments, a Health Maintenance Organization (HMO), or a Preferred Provider Organization (PPO). Prescription drug coverage is included with each health benefit plan. In April, 1996, all full-time employees covered by an insurance plan started paying a portion of the premium through payroll deductions to help defray rising hospitalization costs.

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 11 – OTHER EMPLOYEE BENEFITS (continued)**

As of April 1, 1993, a cafeteria plan of benefits was offered to management and confidential employees as an alternative to the basic insurance plan. Any remaining balance within this plan reverts to SCCS’s General Fund at the end of each year.

Upon completion of two (2) years, full-time employees are provided dental and vision care benefits for themselves and eligible dependents. Life insurance is also provided as a benefit to full-time employees after the first year of employment. Additional life insurance may be purchased by eligible employees.

**NOTE 12 – INTERCOUNTY RECEIVABLES/PAYABLES**

As of December 31, 2004, intercounty receivables and payables resulting from unpaid charges for services from other departments of the County of Summit were as follows:

General Fund	Receivable	Payable
Juvenile Court	\$3,551	\$0
Workers' Compensation	0	329,570
Public Employees Retirement System	0	50,867
Children's Trust Fund	22,952	0
Other	0	2,876
Total	\$26,503	\$383,313

**NOTE 13 – RISK MANAGEMENT**

SCCS maintains insurance for comprehensive auto and blanket risk on all real and personal property including improvements, crime and honesty blanket bond for employees, as well as a public employee blanket bond for the Executive Director. A separate liability policy covers the nurses in SCCS’s clinic operations. These policies are with private carriers.

SCCS paid claims of \$10,500 during 2004. There was no liability recorded for claims at the end of 2004. SCCS currently maintains general professional and liability insurance coverage from employees and volunteers.

SCCS also maintains an indemnity policy for the Board of Directors.

**NOTE 14 – CONTINGENCIES**

Judgments and Claims: SCCS is subject to several claims and litigation of various types. As of December 31, 2004, the probability of loss potential was not determinable and was accordingly not recorded on the financial statements. However, as of June 10, 2004, the possible estimated range of loss, if any, was between \$25,000 and \$5,000,000.

**CHILDREN SERVICES BOARD  
SUMMIT COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 15 – LEASES**

SCCS leases three office facilities under noncancellable operating lease agreements (two two-year agreements and one six-month agreement), two program support facilities (one-year agreement and one 15-month agreement) and two storage facilities (one under a one-year agreement and one under a two-year agreement). The aggregate required monthly lease payments are \$10,246 with annual increases based on the consumer price index.

Lease expense for these facilities in 2004 was approximately \$115,583.

Minimum rental payments required for the lives of these leases are as follows:

2005	\$44,897
2006	\$1,528

SCCS also has several equipment lease arrangements based upon usage. Total expense on these leases for 2004 was approximately \$100,548.

**NOTE 16 – COMMITMENTS – ADOPTION SUBSIDIES**

As part of the permanency plans for children, adoption is a solution when reunification with the natural birth parents is impossible or not in the best interests of the child. In many cases, the child has emotional and physical problems. If the family meets certain eligibility factors, a subsidy may be provided to assist the family in handling these problems. In addition to state and federal monies being available, SCCS may need to provide additional assistance to the family in the form of a monthly subsidy. At the time of the adoption, an agreement is made with the family to provide assistance until the child reaches 18 years of age. The agreement is reviewed annually to assure continued eligibility.

As of December 31, 2004, SCCS's commitment to adoptive parents was \$3,700,304 for 514 children. Of this amount, \$386,200 is payable in 2005. No long-term liability has been recognized in SCCS's financial statements.

**CERTIFIED PUBLIC ACCOUNTANTS**  
**121 College Street**  
**Wadsworth, Ohio 44281**  
**330/336-1706 Fax 330/334-5118**

**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 Trustees  
Summit County Children Services Board  
264 South Arlington Street  
Akron, OH 44306-1399

We have audited the financial statements of the governmental activities and the major fund of the Summit County Children Services Board (SCCS), as of and for the year ended December 31, 2004, which collectively comprise SCCS's basic financial statements and have issued our report thereon dated June 10, 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 SCCS'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 or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SCCS'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 operations that we consider to be material weaknesses.

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

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

VARNEY, FINK & ASSOCIATES, INC.

June 10, 2005





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**CHILDREN SERVICES BOARD**

**SUMMIT 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 9, 2005**