

CHILDREN SERVICES BOARD,
SUMMIT COUNTY, OHIO

GENERAL PURPOSE
FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1999

This audit report is subject to review and acceptance by the Auditor of State's office, and the requirements of ORC 117.25 are not met until the Auditor of State certifies this report. This process takes approximately two weeks and reports are subject to change if the Auditor of State determines that modification of a report is necessary to comply with required accounting or auditing standards.

CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO

GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1999

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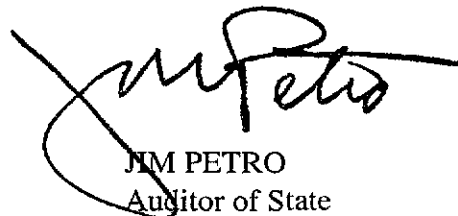
STATE OF OHIO
OFFICE OF THE AUDITOR
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Summit County Children Services Board
264 South Arlington Street
Akron, Ohio 44306

We have reviewed the Independent Auditor's Report of the Summit County Children Services Board, Summit County, prepared by Brott Mardis & Co., for the audit period January 1, 1999 through December 31, 1999. 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.



JIM PETRO
Auditor of State

June 21, 2000



BROTT MARDIS & CO.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of Summit County Children Services Board (CSB) as of and for the year ended December 31, 1999. These general purpose financial statements are the responsibility of CSB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of CSB are intended to present the financial position and results of operations of only that portion of the financial reporting entity of Summit County, Ohio that is attributable to the transactions of CSB.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Summit County Children Services Board as of December 31, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 3, 2000, on our consideration of CSB's internal control over financial reporting and our test of its compliance with laws, regulations, contracts and grants.

Brott Mardis & Co.
Certified Public Accountants
May 3, 2000

GENERAL PURPOSE FINANCIAL STATEMENTS

The following general purpose financial statements, along with the notes to the general purpose financial statements, present an overview of CSB's financial position at December 31, 1999, and the result of operations for the year then ended.

CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1992

	Governmental Fund Types	Account Groups		Total (Memorandum Only)
	General	General Fixed Assets	General Long-Term Obligations	
<u>ASSETS AND OTHER DEBITS:</u>				
<u>Assets</u>				
Equity in Pooled Cash, Cash Equivalents and Investments	\$30,840,889	-	-	\$30,840,889
Cash and cash equivalents in Segregated Accounts	108,183	-	-	108,183
Investments in Segregated Accounts	1,667,012	-	-	1,667,012
<u>Receivables:</u>				
Taxes	23,138,621	-	-	23,138,621
Accrued Interest	35,874	-	-	35,874
Due from County Funds	115,518	-	-	115,518
Due from Other Governments	4,906,117	-	-	4,906,117
Prepaid Items	126,054	-	-	126,054
Fixed Assets	-	16,722,906	-	16,722,906
	<u>60,938,268</u>	<u>16,722,906</u>	-	<u>77,661,174</u>
<u>Other Debits</u>				
Amount to be Provided from General Government Resources	-	-	1,378,179	1,378,179
TOTAL ASSETS AND OTHER DEBITS	<u><u>\$60,938,268</u></u>	<u><u>\$16,722,906</u></u>	<u><u>\$1,378,179</u></u>	<u><u>\$79,039,353</u></u>
<u>LIABILITIES, FUND EQUITY AND OTHER CREDITS:</u>				
<u>Liabilities</u>				
Accounts Payable	\$1,223,875	-	-	\$1,223,875
Accrued Wages and Benefits	560,825	-	-	560,825
Compensated Absences Payable	-	-	1,378,179	1,378,179
Due to Other Governments	525,199	-	-	525,199
Deferred Revenue Taxes	25,634,812	-	-	25,634,812
Due to County Funds	425,133	-	-	425,133
Total Liabilities	<u>28,369,844</u>	-	<u>1,378,179</u>	<u>29,748,023</u>
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	-	16,722,906	-	16,722,906
<u>Fund Balance:</u>				
Reserved for Prepaid Items	126,054	-	-	126,054
Reserved for Encumbrances	2,124,622	-	-	2,124,622
Unreserved	30,317,748	-	-	30,317,748
	<u>32,568,424</u>	-	-	<u>32,568,424</u>
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	<u><u>\$60,938,268</u></u>	<u><u>\$16,722,906</u></u>	<u><u>\$1,378,179</u></u>	<u><u>\$79,039,353</u></u>

See accompanying notes to the general purpose financial statements.

CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types General
<u>REVENUES:</u>	
Taxes	\$23,541,596
Charges for Services	3,762,490
Intergovernmental	9,917,608
Interest	75,878
Miscellaneous	496,128
Total Revenues	37,793,700
 <u>EXPENDITURES:</u>	
Human Services	31,672,238
Excess of Revenues Over Expenditures	6,121,462
Fund Balance at Beginning of Year	26,446,962
Fund Balance at End of Year	\$32,568,424

See accompanying notes to the general purpose financial statements.

CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<u>REVENUES:</u>			
Taxes	\$23,879,722	\$23,541,596	(\$338,126)
Charges for Services	3,555,380	4,499,248	943,868
Intergovernmental	6,820,320	11,400,929	4,580,609
Other	115,100	317,978	202,878
Total Revenues	34,370,522	39,759,751	5,389,229
<u>EXPENDITURES:</u>			
Personal Services	13,967,249	13,704,709	262,540
Supplies	658,725	689,228	(30,503)
Materials	48,900	52,419	(3,519)
Travel	494,660	504,709	(10,049)
Contract Repairs	20,550	19,820	730
Contract Services	13,376,665	11,910,062	1,466,603
Benefits	3,858,930	3,678,029	180,901
Other	924,400	1,081,112	(156,712)
Medical Expenses	279,700	342,914	(63,214)
Equipment	1,334,104	658,886	675,218
Total Expenditures	34,963,883	32,641,888	2,321,995
Excess of Revenues (Under) Over Expenditures	(593,361)	7,117,863	7,711,224
Other Financing Sources			
Other Financing Sources	144,360	-	(144,360)
Total Other Financing Sources	144,360	-	(144,360)
Excess of Revenues and Other Financing Sources (Under) Over Expenditures	(449,001)	7,117,863	7,566,864
Fund Balances at Beginning of Year	3,555,472	19,728,851	16,173,379
Fund Balances at End of Year	\$3,106,471	\$26,846,714	\$23,740,243

See accompanying notes to the general purpose financial statements.

CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 1999

1. REPORTING ENTITY

The Summit County Children Services Board (CSB) 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 CSB. CSB is located in Akron, County of Summit, in northeastern Ohio. The Board of CSB consists of ten members, nine 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 CSB is to protect the abused, neglected, and dependent children of Summit County and promote their well being. CSB shares the community's belief that each child has a right to be reared in a safe, permanent family, and strengthening families is society's most effective way of preserving this right. The goal of CSB 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. CSB 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. The County operates under a council-executive form of government, as provided by its charter, the only county in Ohio operating under a Home Rule Charter. Per the Charter, there are 11 elected County Council members and a County Executive. The County Auditor is the chief fiscal officer. In addition, there are six other elected administrative officials, each of whom is independent as set forth in Ohio Law. These officials are the Clerk of Courts, Engineer, Prosecutor, Recorder, Sheriff, and Treasurer. There are also eight Common Pleas Court Judges, two Domestic Relations Court Judges, one Juvenile Court Judge, and one Probate Court Judge.

1. **REPORTING ENTITY (Continued)**

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 a financial benefit or impose a financial burden to the County. CSB is not a legally separate entity. CSB is part of the primary government of the County of Summit and is reported by the County as a special revenue fund. CSB does not include any other units in its presentation.

As counties are structured in Ohio, the County Auditor and County Treasurer serve, respectively, as fiscal officer and custodian of funds for CSB. As fiscal officer, the Auditor certifies the availability of cash and appropriations prior to the processing of payments. As the custodian of County funds, the County Treasurer invests public monies held on deposit in the County treasury.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of CSB have been prepared in conformity with 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. **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. CSB uses the following fund types and account groups:

Governmental Fund Types:

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use and balance of CSB'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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The following are CSB's Governmental Fund Types:

General Fund: This fund accounts for the general operating revenues and expenditures of CSB not specifically required to be recorded elsewhere. The primary revenue sources are property taxes, charges for services, intergovernmental revenues and interest.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group: This account group is used to present the general fixed assets of CSB utilized in its general operations. General fixed assets include land, land improvements, buildings and building improvements and machinery and equipment owned by CSB.

General Long-Term Obligations Account Group: This account group is used to account for all general long-term obligations of CSB.

B. BASIS OF ACCOUNTING

The modified accrual basis of accounting is followed for all governmental funds. Revenues are recognized in the period in which they become measurable and available. Available means collectible within the current period or soon enough, thereafter, to be used to pay liabilities of the current period. The availability period used for the recognition of revenue was 60 days. Revenues which are accrued include earnings on investments, intergovernmental revenues and charges for services.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, with the following exceptions: general long-term obligation principal and interest are reported only when due and costs of accumulated unpaid vacation, sick leave, pension obligations and compensatory time are reported as expenditures in the period in which they will be liquidated with current available financial resources rather than in the period earned by the employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BUDGETARY DATA

CSB is required by state law to adopt annual budgets for its General Fund. The County Council adopts an appropriations budget by January 1st of a given year, or adopts a temporary appropriation measure with final passage of a permanent budget by April 1st. Budgets are adopted by major expenditure and revenue category. Donated Funds are budgeted and approved by the Board of Directors of CSB only.

Each department and program director of CSB prepares a budget in conjunction with the Fiscal Department. The budget is reviewed by the Executive Director and presented to the Finance Review Committee of the Board. The Finance Review Committee then makes a recommendation to the Board of Directors for approval. The detailed program budget is then submitted to the Office of Budget and Management of the County for review by the Social Service Advisory Board. The Social Service Advisory Board is a 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 CSB. Major modifications are processed through the Office of Budget and Management 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.

CSB'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 accrual (GAAP) and expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). CSB does not budget for the Children Savings account but this account is included in the GAAP basis Combined Statement of Revenues, Expenditures and Changes in Fund Balance. Additionally, CSB 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The adjustments necessary to convert the results of operations for the year from the Non-GAAP Budget Basis to the GAAP Basis for the governmental funds are as follows:

<u>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</u> All Governmental Fund Types	
	<u>General</u>
Non-GAAP Budget Basis	\$ 7,117,863
Net Adjustment for Revenue Accruals	(1,944,412)
Net Adjustment for Expenditure Accruals	(467,631)
Net Adjustment for Encumbrances	1,646,352
Net Adjustment for Nonbudgeted Activity	<u>(230,710)</u>
GAAP Basis	<u>\$ 6,121,462</u>

D. CASH, CASH EQUIVALENTS AND INVESTMENTS

Except for the Donated Funds and the Children Savings Funds, all money of CSB is paid into the County treasury where it is pooled and invested in short-term investments by the Summit County Treasurer in order to provide improved cash management. Individual fund integrity is maintained through the County's financial records. Investments are stated at market value as of December 31, 1999. For presentation on the combined 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 CSB'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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. FIXED ASSETS AND DEPRECIATION

Property, plant 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) in the General Fixed Assets Account Group. It is CSB's capitalization policy to exclude "infrastructure" or public domain fixed assets from being reported in the General Fixed Assets Account Group. Depreciation is not provided for in the General Fixed Assets Account Group.

For the year ended December 31, 1999, CSB revised its capitalization policy in consistency with Summit County to include only fixed assets with a cost of \$1,000 or greater in the General Fixed Assets Account Group. The former policy included fixed assets with a cost of \$500 or greater. This change in policy resulted in a retroactive decrease in beginning fixed assets of \$213,161.

F. 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 in the General Long-Term Obligations Account Group 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.

G. INTERCOUNTY TRANSACTIONS

During the normal course of operations, CSB has numerous 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

I. 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 termination 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 CSB's termination policy.

J. INTERGOVERNMENTAL REVENUES

For governmental funds, intergovernmental revenues, such as grants awarded on a nonreimbursement basis and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

K. TOTAL (MEMORANDUM ONLY) COLUMN ON COMBINED STATEMENTS

Total columns in the combined statements are captioned "Total (Memorandum Only)" to indicate that they are presented to facilitate financial analysis. Data in these columns do not present financial position, or results of operations 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.

3. 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 or 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;
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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, 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) 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;

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

9. High grade commercial paper in an amount not to exceed 5% of the County's total average portfolio.
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, 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.

Investments 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.

As a rule, Summit County does not segregate deposits and investments belonging to its individual funds. With regard to CSB, the Ohio Revised Code does not specify that a County must segregate its deposits and investments. Consequently, the County pools the majority of CSB's deposits and investments. This amount is presented as cash, cash equivalents and investments on the balance sheet, in the General Fund and is in the amount of \$30,840,889 as of December 31, 1999. 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 Statement for the year ended December 31, 1999.

CSB maintains the savings accounts for children under the care of CSB, 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 "Investment in Segregated Accounts" on the balance sheet to indicate that they are not part of the County treasury. At December 31, 1999, the carrying amount of CSB's deposits was \$108,183 and the bank balance was \$115,453. The difference in the carrying amount and the bank balance were items in transit. Of the bank balance, \$100,000 was insured by FDIC. The remainder was uninsured and uncollateralized. Although the collateral was held by the pledging financial institution's trust department in the CSB's name and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirement would potentially subject CSB to a successful claim by the FDIC.

3. **CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Investments

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

	Category	Market
	<u>1</u>	<u>Value</u>
Federal Government Securities	\$1,541,329	\$1,505,455
Money Market Funds	<u>161,557</u>	<u>161,557</u>
Total	<u>\$1,702,886</u>	<u>\$1,667,012</u>

CSB has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement establishes accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at market value. This required no change in prior year fund balance.

4. **PROPERTY TAX REVENUES**

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. 1998 real property taxes were levied after October 1, 1998, on the assessed value as of January 1, 1998, the lien date, and were collected in 1999. Assessed values are established by State Law at 35% of appraised market value. Public utility property taxes received in 1999 attached as a lien on December 31, 1997, were levied after October 1, 1998, and were collected with real property taxes. Public utility property taxes are assessed on tangible personal property at true value. 1999 tangible personal property taxes were levied after October 1, 1998, on the value listed as of December 31, 1998, and were collected in 1999. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1998 taxes were collected was \$9,359,780,140. The full tax rate for all County operations applied to real property for fiscal year ended December 31, 1999, was \$12.27 per \$1,000 of assessed valuation, of which \$2.56 per \$1,000 of assessed valuation is for the operation of CSB.

4. **PROPERTY TAX REVENUES (Continued)**

Real and public utility property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 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 CSB.

Property taxes receivable represent delinquent taxes, outstanding real property, public utility and tangible personal property taxes which were measurable at December 31, 1999. 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 1999 operations, the receivable is offset by a credit to deferred revenues.

5. **RECEIVABLES**

Receivables at December 31, 1999, 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 12 and are excluded from these figures. A listing of due from other governments is as follows:

<i>General Fund</i>	
<u>Source of Funds</u>	<u>Amounts</u>
Independent Living Grant	\$ 32,725
Post Adoption Special Services Subsidy	79,819
Title IV-E Administration	1,917,966
North East Ohio Regional Training Center	279,965
State of Ohio Homestead Rollback	2,496,191
Medicaid	46,669
State Cluster	43,761
Other Sources	<u>9,021</u>
Total General Fund	<u>\$4,906,117</u>

6. **FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance <u>12/31/98</u>	Additions	Deletions	Balance <u>12/31/99</u>
Land	\$ 511,063	\$ -	\$ -	\$ 511,063
Buildings	13,528,659	7,724	-	13,536,383
Machinery and Equipment	2,291,404	210,787	104,827	2,397,364
Vehicles	<u>314,021</u>	<u>-</u>	<u>35,925</u>	<u>278,096</u>
Total	<u>\$16,645,147</u>	<u>\$218,511</u>	<u>\$140,752</u>	<u>\$16,722,906</u>

7. **DEFINED BENEFIT PENSION PLAN**

CSB contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer public employees retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement, disability, annual cost of living adjustments, and survivor benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Under statutory authority provided by the Ohio Revised Code, plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations and CSB is required to contribute 13.55%. Contributions are authorized by state statute. The contribution rates are determined actuarially. CSB's required contributions to PERS for the year ended December 31, 1999, were \$1,834,685. For 1999, 71.8% has been contributed with the remainder being reported as a fund liability.

8. **POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

In addition to the pension benefits described in Note 7, the Public Employees Retirement System of Ohio 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 Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers." A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care. The employer contribution rate was 13.55% of covered payroll for the year 1999, of which 4.2% was the portion used to fund health care for 1999.

8. **POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**
(Continued)

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

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

Statewide expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible statewide for OPEB at December 31, 1999, was 118,062.

During 1998, the Retirement Board adopted a new calculation method for determining employer contributions to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

9. **DEFERRED COMPENSATION**

CSB employees and appointed officials may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457 which is offered by the State of Ohio. Participation is on a voluntary payroll deduction basis and is available to all employees. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Effective September 1, 1998, CSB adopted GASB Statement No. 32, "*Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*," and all assets were transferred to a trust held by the Ohio Public Employees Deferred Compensation Program. Accordingly, the assets and related liabilities are not recorded on the CSB's balance sheet at December 31, 1999.

CSB employees and appointed officials may also participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). Participation is on a voluntary payroll deduction basis and is available to all employees. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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% 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. 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 CSB, 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 sick leave and vacation payments are made at the employee's wage rate at the time of retirement. Vacation, sick leave and compensatory time accumulated by Governmental Fund Type employees have been recorded in the General Long-Term Obligations Account Group.

11. OTHER EMPLOYEE BENEFITS

CSB 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.

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 CSB'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.

12. INTERCOUNTY RECEIVABLES/PAYABLES

As of December 31, 1999, intercounty receivables and payables resulting from unpaid charges for services from other departments of the County of Summit were as follows:

<u>General Fund</u>	<u>Receivable</u>	<u>Payable</u>
Mental Retardation and Development	\$ 16,035	\$ 1,689
Juvenile Court	11,210	-
Family and Children First Council	88,273	146,806
Workers' Compensation	<u>-</u>	<u>276,638</u>
Total General Fund	<u>\$115,518</u>	<u>\$425,133</u>

13. RISK MANAGEMENT

CSB maintains insurance for comprehensive auto, blanket risk on all real and personal property including improvements, money and securities and a public employee blanket bond with private carriers.

Professional liability insurance coverage was discontinued in 1993. Since 1994, CSB has maintained sufficient cash reserves within the General Fund to cover any potential liability claims against CSB. CSB paid \$855 in claims during 1999. There was no liability recorded for claims at the end of 1999. In June 1999, CSB obtained general professional and liability insurance coverage for all employees, foster parents and volunteers of the agency.

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

Settled claims have not exceeded commercial coverage in any of the last three years and there were no significant reductions in coverage from the coverage provided last year.

14. CONTINGENCIES

Judgements and Claims: CSB is subject to several claims and litigation of various types. On September 30, 1999, a lawsuit was filed against CSB. As of December 31, 1999 and May 3, 2000, the probability of loss potential was not determinable, and was accordingly not recorded on the financial statements. However, as of May 3, 2000, the possible estimated range of loss, if any, is between \$25,000 and \$10,064,000.

15. **LEASES**

CSB leases three office facilities under noncancellable operating lease agreements (one one-year agreement, one two-year agreement, and one three-year agreement), and one storage facility under a month-to-month lease arrangement. The aggregate required monthly lease payments are \$5,785 with annual increases based on the consumer price index. The monthly payment for the month-to-month lease is \$830. Lease expense for these facilities in 1999 was approximately \$45,000. Minimum rental payments required for the lives of these leases are as follows:

2000	\$ 54,128
2001	37,974
2002	<u>11,990</u>
	<u>\$104,092</u>

16. **SUBSEQUENT EVENTS**

On January 25, 2000, and February 22, 2000, the Board of Trustees approved two contracts with a computer consulting firm to provide programming and programming development consultation. The contracts totaled \$1,456,620.

On March 31, 2000, CSB's three-year agreement with Local #4546 of the Communications Workers of America (AFL-CIO) expired. As of May 3, 2000, negotiations were continuing with the intent of presenting a tentative agreement to the Board of Trustees in June. The tentative agreement must be ratified by the union members and the Board of Trustees. The agreement will then be retroactively applied to April 1, 2000.

On April 24, 2000, a lawsuit was filed against CSB. The monetary request in this case is back wages, front wages, attorney fees, and \$4,000,000 in compensatory and punitive damages. As of May 3, 2000, management and counsel believe the case appears to have a remote likelihood of liability, and believes damages, if any, will be limited.



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

We have audited the general purpose financial statements of Summit County Children Services Board (CSB), as of and for the year ended December 31, 1999, and have issued our report thereon dated May 3, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether CSB's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of CSB in a separate letter dated May 3, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CSB's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of CSB in a separate letter dated May 3, 2000.

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

Brott Mardis & Co.

Certified Public Accountants
May 3, 2000



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OFFICE OF THE AUDITOR

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SUMMIT COUNTY 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.

By: Susan Babbitt

Date: JULY 13, 2000