

SUMMIT COUNTY CHILDREN SERVICES BOARD
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

Board of Trustees
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 Varney, Fink & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. 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

September 11, 2006

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**SUMMIT COUNTY CHILDREN SERVICES BOARD
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

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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, each major fund and the aggregate remaining fund information of the Summit County Children Services Board (SCCS), as of and for the year ended December 31, 2005, 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, each major fund and the aggregate remaining fund information 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, 2005, 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, each major fund and the aggregate remaining fund information of SCCS, as of December 31, 2005 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.

As more fully discussed in Note 3 to the basic financial statements, SCCS has reclassified certain activities previously accounted for in the General Fund to a Special Revenue Fund and to an Agency Fund. Net Assets/Fund Balances as of January 1, 2005 have been restated as a result of these reclassifications.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 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 agreements and other matters. 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 **INDEPENDENT AUDITOR'S REPORT** (continued)

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.

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 16, 2006

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

Management's Discussion and Analysis

The management of Summit County Children Services (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, 2005 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, 2005. 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, 2005 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 \$3,206,000 or 5.9 percent during 2005. As Discussed in the Economic Factors below, the financial plan for the current three year levy period provided for the planned spend down of excess cash reserves. The decrease was due to the following:

- Cash, Cash Equivalents and Investments decreased \$3,669,000 during the year due to increased costs for children in Paid Placement.
- Due From Other Governments increased \$1,235,000 from 2004 due to billings for placements were delayed by two months at the end of 2005.
- Deferred Revenue for property taxes that were not available to finance current year activities increased \$2,257,000.

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

Table 1
Net Assets
(In Thousands of Dollars)

	Governmental Activities			Percentage Change
	2005	2004 *	Dollar Change	
Assets				
Current and Other Assets	\$71,068	\$73,052	(\$1,359)	-2.7%
Capital Assets, Net	11,752	12,076	(324)	-2.7%
Total Assets	<u>82,820</u>	<u>85,128</u>	<u>(2,308)</u>	-2.7%
Liabilities				
Current and Other Liabilities	26,332	28,151	(1,819)	6.5%
Long-Term Liabilities	2,721	2,758	(37)	-1.3%
Total Liabilities	<u>29,053</u>	<u>30,909</u>	<u>(1,856)</u>	6.0%
Net Assets				
Invested in Capital Assets	11,752	12,076	(324)	-2.7%
Unrestricted	42,015	42,143	(125)	-.3%
Total Net Assets	<u><u>\$53,767</u></u>	<u><u>\$54,219</u></u>	<u><u>(\$452)</u></u>	-.8%

* Restated for year 2004, transfer Children Savings to Agency Fund

Table 2 is a summary of the Changes in Net Assets for SCCS. Total Revenues increased by \$7,059,000 or 15.4 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. 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 in the revenue stream include:

- Charges for Services increased \$1,177,000 due to an increase in the number of children being placed in Paid Placements and became eligible to receive such funds.
- Property tax revenue increased due to additional cash collections in 2005 and the timing of revenue recognized which resulted in additional revenue recognized in 2003 rather than 2004.
- Expenditures remained relatively flat from 2004 to 2005, increasing by \$1,042,000 or 1.9%, which included employee salary and benefits, paid placements, foster care, adoption, and medical expenses for the children under care.

Table 2
Net Assets
(In Thousands of Dollars)

	2005	2004 *	Dollar Change	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$7,436	\$6,259	\$1,177	18.8%
Operating Grants and Contributions	18,146	16,250	1,896	1.2%
General Revenues				
Property Taxes	27,117	23,132	3,985	17.2%
Investment Earnings	38	33	5	15.4%
Miscellaneous	273	277	(4)	-1.4%
Total Revenues	<u>53,010</u>	<u>45,951</u>	<u>7,059</u>	15.4%
Expenditures				
Human Services	54,823	53,781	1,042	1.9%
Increase (Decrease) in Net Assets	<u>(\$1,813)</u>	<u>(\$7,830)</u>	<u>\$6,017</u>	76.8%

* Restated for year 2004, transfer Children Savings to Agency Fund

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 seven 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

	2005 Actual	2004 Actual
Direct Operating Revenues		
Training	\$1,084,456	\$1,044,988
Investigative/Initial Assessment	4,042,788	3,246,997
Preventive/Protective	5,707,176	4,994,602
Foster Care	3,870,657	4,653,434
Paid Placement	5,121,414	5,043,061
Adoption Placement and Subsidies	2,275,800	2,205,971
Direct Child Medical Care	660,769	620,497
Total Direct Operating Revenues	<u>\$22,762,970</u>	<u>\$21,809,550</u>
Direct Operating Expenditures		
Training	\$1,207,898	\$1,228,614
Investigative/Initial Assessment	4,408,199	4,626,470
Preventive/Protective	7,643,375	7,535,333
Foster Care	6,855,257	8,264,582
Paid Placement	16,205,251	14,052,073
Adoption Placement and Subsidies	4,092,438	3,209,239
Direct Child Medical Care	933,758	1,088,704
Total Direct Operating Expenditures	<u>\$41,346,176</u>	<u>\$40,005,015</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 2005, there were no increases in total budget. Adjustments were made during 2005, as budget dollars were transferred from the Capital Improvements project to the Paid Placement budget. These budget adjustments were made within authorized budget line items.

Capital Assets

At December 31, 2005, SCCS had \$11,751,902 invested in capital assets as detailed in Table 4. There was a \$323,870, or 2.7 percent decrease from December 31, 2004. The largest decrease, in all categories, except land, was related to the depreciation expense of \$410,835. The Construction in Progress expense of \$27,368 pertains to the architect fees for the planned Visitation Respite Center to be constructed on the land, located adjacent to the Arlington Street property, purchased in 2002.

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

Capital Asset	2005	2004	Dollar Change	Percentage Change
Land	\$1,288,532	\$1,288,532	\$0	0.0%
Buildings	10,117,916	10,460,532	(342,616)	-3.3%
Machinery and Equipment	88,578	82,934	5,642	6.8%
Vehicles	81,818	96,082	(14,264)	-14.8%
Construction in Progress	175,058	147,695	27,368	18.5%
Total Capital Assets at Year End	<u>\$11,751,902</u>	<u>\$12,075,775</u>	<u>(\$323,870)</u>	-2.7%

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 proved 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. As SCCS nears the end of its current levy cycle, the cash reserve balance will naturally decrease. At the same time, 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 six 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
Summit County
Statement of Net Assets
December 31, 2005**

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Equity in Pooled Cash, Cash Equivalents and Investments	\$37,650,904
Cash and Cash Equivalents in Segregated Accounts	77,743
Segregated Investment Accounts	1,909,501
Receivables	
Taxes	24,991,674
Accounts	14,530
Accrued Interest	18,691
Due from County Funds	12,054
Due from Other Governments	6,252,186
Prepaid Items	140,647
Non-Current Assets:	
Non-Depreciable Capital Assets	1,463,590
Depreciable Capital Assets, Net	<u>10,288,309</u>
<i>Total Assets</i>	<u>82,819,829</u>
Liabilities	
Current Liabilities:	
Accounts Payable	2,063,268
Accrued Wages Payable	392,341
Compensated Absences Payable - current portion	39,930
Due to Other Governments	75,539
Deferred Revenue - Taxes	23,394,098
Due to County Funds	366,495
Non-Current Liabilities:	
Compensated Absences Payable	<u>2,721,134</u>
<i>Total Liabilities</i>	<u>29,052,805</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	11,751,899
Restricted	
Donated Funds	510,640
Unrestricted	<u>41,504,485</u>
<i>Total Net Assets</i>	<u><u>\$53,767,024</u></u>

See accompanying notes to the basic financial statements.

Children Services
Summit County
Statement of Activities
For the Year Ended December 31, 2005

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government				
Human Services	\$54,711,751	\$7,436,372	\$18,068,396	(\$29,206,983)
Donated Funds	111,321	-	77,342	(33,979)
<i>Total Governmental Activities</i>	<u>\$54,823,072</u>	<u>\$7,436,372</u>	<u>\$18,145,738</u>	<u>(29,240,962)</u>
	General Revenues			
	Property Taxes Levied for General Purposes			27,117,473
	Investment Earnings			37,333
	Miscellaneous			<u>273,373</u>
	<i>Total General Revenues</i>			27,428,179
	Change in Net Assets			-1,812,783
	Net Assets Beginning of Year (Restated, See Note 3)			<u>55,579,807</u>
	Net Assets End of Year			<u>\$53,767,024</u>

See accompanying notes to the basic financial statements.

Children Services
Summit County
Balance Sheet
Governmental Funds
December 31, 2005

	General Fund	Donated Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash, Cash Equivalents and Investments	\$37,650,904	-	\$37,650,904
Cash and Cash Equivalents in Segregated Accounts	20,359	57,384	77,743
Segregated Investment Accounts	-	1,909,501	1,909,501
Receivables			
Taxes	24,991,674	-	24,991,674
Accounts	14,530	-	14,530
Accrued Interest		18,691	18,691
Due from County Funds	12,054	-	12,054
Due from Other Governments	6,252,186	-	6,252,186
Prepaid Items	140,647	-	140,647
<i>Total Assets</i>	<u>\$69,082,354</u>	<u>\$1,985,576</u>	<u>\$71,067,930</u>
Liabilities			
Accounts Payable	\$2,063,268	-	\$2,063,268.00
Accrued Wages Payable	392,341	-	392,341
Compensated Absences Payable - current portion	39,930	-	39,930
Due to Other Governments	75,539	-	75,539
Deferred Revenue - Taxes	24,991,674	-	24,991,674
Deferred Revenue - Other	1,122,576	-	1,122,576
Due to County Funds	366,495	-	366,495
<i>Total Liabilities</i>	<u>29,051,823</u>	<u>-</u>	<u>29,051,823</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	1,645,219	-	1,645,219
Reserved for Prepaid Items	140,647	-	140,647
Unreserved	38,244,665	1,985,576	40,230,241
<i>Total Fund Balances</i>	<u>40,030,531</u>	<u>1,985,576</u>	<u>42,016,107</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$69,082,354</u>	<u>\$1,985,576</u>	<u>\$71,067,930</u>

See accompanying notes to the basic financial statements.

Children Services
Summit County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2005

Total Governmental Funds Balances		\$42,016,107
<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		11,751,899
Other long-term liabilities are not available to pay for the current period expenditures and therefore are deferred in the fund:		
Taxes	\$1,597,576	
Intergovernmental	<u>1,122,576</u>	
Total		2,720,152
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Compensated Absences		<u>-2,721,134</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$53,767,024</u></u>

See accompanying notes to the basic financial statements.

**Children Services
Summit County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005**

	General Fund	Donated Funds	Total Governmental Funds
Revenues			
Property and Other Taxes	\$25,519,897	-	\$25,519,897
Charges for Services	7,436,372	-	7,436,372
Intergovernmental	16,945,820	-	16,945,820
Interest		37,333	37,333
Other	258,955	77,342	336,297
<i>Total Revenues</i>	50,161,044	114,675	50,275,719
Expenditures			
Human Services	51,666,744	111,321	51,778,065
<i>Total Expenditures</i>	51,666,744	111,321	51,778,065
<i>Net Change in Fund Balance</i>	(1,505,700)	3,354	(1,502,346)
<i>Fund Balance Beginning of Year (Restated see Note 3)</i>	41,536,231	1,982,222	43,518,453
<i>Fund Balance End of Year</i>	<u>\$40,030,531</u>	<u>\$1,985,576</u>	<u>\$42,016,107</u>

See accompanying notes to the basic financial statements.

Children Services
Summit County
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of the Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2005

Net Change in Fund Balances - Total Government Funds (\$1,502,346)

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	\$86,962	
Current Year Depreciation	(410,835)	
	(323,873)	
Total		(323,873)

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

Property Taxes	\$1,597,576	
Intergovernmental Revenue	1,122,576	
Other Revenue	14,418	
	2,734,570	
Total		2,734,570

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		(2,721,134)
		(2,721,134)

Change in Net Assets of Governmental Activities (\$1,812,783)

See accompanying notes to the basic financial statements.

Children Services Board
Summit County
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Total	Variance with Final Budget Positive (Negative)
	Original Total	Final		
Revenues				
Taxes	—	\$25,987,691	\$25,855,927	\$131,764
Charges for Services	5,388,320	5,388,320	6,557,158	(1,168,838)
Intergovernmental	14,312,340	14,312,340	16,370,465	(2,058,125)
Other	416,080	416,080	199,376	216,704
Total Revenues	<u>20,116,740</u>	<u>46,104,431</u>	<u>48,982,927</u>	<u>(2,878,496)</u>
Expenditures				
Personal Services	20,318,140	20,328,140	20,320,738	7,402
Benefits	6,978,600	6,471,281	6,414,618	56,663
Supplies	1,467,501	1,404,191	1,079,326	324,864
Materials	62,640	62,640	56,424	6,215
Travel	717,574	751,386	711,638	39,749
Contract Services	24,746,280	25,701,583	25,250,599	450,984
Other	1,886,939	1,855,083	1,439,394	415,690
Medical Expenses	620,143	620,143	603,961	16,182
Equipment	1,568,408	1,171,778	743,797	427,981
Total Expenditures	<u>58,366,224</u>	<u>58,366,224</u>	<u>56,620,495</u>	<u>1,745,729</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(38,249,484)</u>	<u>(12,261,793)</u>	<u>(7,637,568)</u>	<u>(4,624,225)</u>
Net Change in Fund Balance	(38,249,484)	(12,261,793)	(7,637,568)	(4,624,225)
Fund Balance at Beginning of Year	36,978,646	36,978,646	36,978,646	—
Prior Year Encumbrances Appropriations	<u>3,786,164</u>	<u>3,786,164</u>	<u>3,786,164</u>	—
Fund Balance at End of Year	<u>\$2,515,326</u>	<u>\$28,503,017</u>	<u>\$33,127,242</u>	<u>(\$4,624,225)</u>

See accompanying notes to the basic financial statements.

**Children Services
Summit County
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005**

	Balance December 31, 2005
Assets	
Equity in Pooled Cash and Cash Equivalents	\$78,998
Cash and Cash Equivalents - Segregated Accounts	<u>110,145</u>
 Total Assets	 <u><u>\$189,143</u></u>
 Held in trust for the benefit of the Children	 <u>\$189,143</u>
 Total Liabilities	 <u><u>\$189,143</u></u>

See accompanying notes to the basic financial statements.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 1 – REPORTING ENTITY

The Children Services, 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 and legal mandate of SCCS is to serve as the first responder to reported allegations of child abuse and neglect, to investigate such reports in a timely manner, and to provide appropriate protective services to children who are found to be abused or neglected.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Children Services (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.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. These statements include the financial activities of the SCCS, except for fiduciary funds. SCCS had no business-type activities during the year ended December 31, 2005.

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 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 funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary Funds are reported by fund type.

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.

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, a special revenue fund, and a fiduciary fund.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General – This fund accounts for the general operating revenues and expenditures of SCCS and is available to SCCS for any purpose as allowed within the general laws of Ohio. The primary revenue sources are property taxes, charges for services, and intergovernmental revenues.

Donated Funds – This fund accounts for dollars donated to SCCS for a specified purpose or for the use of SCCS for the benefit of the children. Donated Funds are used in areas that is not allowable within the General Fund but may be used for the betterment of children under care or to enhance the child’s life experiences and improve the child’s well being. Examples include, but not limited, to Holiday Activities, After-School and Sports Programs.

Fiduciary Fund Types

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund categories include the following classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. SCCS maintains one agency fund. Agency funds are custodial in nature and do not involve measurement of results of operations, therefore, assets equal liabilities. SCCS’ agency fund collectively accounts for monies held by individual children and is available as needed by the child or is transferred to the child/guardian upon emancipation.

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.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. 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.

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. "Measurable" means the amount of the transaction can be determined, and "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.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance year 2006 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.

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 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 not required to have an annual budget.

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 Management 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 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.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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). 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.

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

Net Change in Fund Balance	
	General Fund
Non-GAAP Budget Basis	(\$7,637,568)
Net Adjustment for Revenue Accruals	1,178,117
Net Adjustment for Expenditure Accruals	1,315,235
Net Adjustment for Encumbrances	3,638,516
GAAP Basis	(\$1,505,700)

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, 2005. 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.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Prepaid Items

Payments to vendors for services that will benefit periods beyond December 31, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. 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.

Depreciable assets include "Buildings and Building Improvements", "Machinery and Equipment" and "Vehicles". Assets under the classification "Land" and "Construction in Progress" 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 expensed 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 purchased 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.

I. 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.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

J. Inter-County 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. Inter-county transactions are recorded as charges for services and program expenditures in governmental funds.

K. Compensated Absences

Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employee's 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.

L. 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.

M. 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

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

N. 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.

NOTE 3 - RESTATEMENT OF NET ASSETS

Net assets have been restated to reclassify donated funds and children savings funds previously included in the general fund to a special revenue fund and an agency fund.

Restatement of Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures

The restatement of the net change in fund balances is as follows:

	<u>General Fund</u>	<u>Donated Funds</u>
<u>GAAP Basis</u>		
Net Changes in Fund Balances as Previously Reported	(\$9,043,077)	\$0
Fund Reclassifications	<u>(70,108)</u>	<u>19,928</u>
Net Change in Fund Balances - Restated at December 31, 2004	<u><u>(\$9,113,185)</u></u>	<u><u>\$19,928</u></u>

Restatement of Change in Net Assets

	<u>Governmental Activities</u>
Change in Net Assets as Previously Reported	(\$7,760,171)
Fund Reclassifications	<u>(70,108)</u>
Change in Net Assets - Restated at December 31, 2004	<u><u>(\$7,830,279)</u></u>

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 3 - RESTATEMENT OF NET ASSETS (continued)

Restatement of Fund Balance

The restatement to beginning fund balance on the GAAP basis is as follows:

	<u>General Fund</u>	<u>Donated Funds</u>
Fund Balance, December 31, 2004	\$43,655,274	\$0
Fund Reclassifications	<u>(2,119,043)</u>	<u>1,982,222</u>
Adjusted Fund Balance, December 31, 2004	<u>\$41,536,231</u>	<u>\$1,982,222</u>

Restatement of Net Assets

The restatement to beginning net assets is as follows:

	<u>Governmental Activities</u>
Total Net Assets, December 31, 2004	\$55,716,628
Fund Reclassification	<u>(136,821)</u>
Adjusted Net Assets, December 31, 2004	<u>\$55,579,807</u>

NOTE 4 – DEPOSITS AND INVESTMENTS

Legal Requirements

State statutes classify monies held by the County into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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.

Inactive deposits are public deposits that the County has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Protection of County deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety

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

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.

Interim 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;
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;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed on hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon

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

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 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' deposits and investments. This amount is presented as "Equity in Pooled Cash, Cash Equivalents and Investments" on the Statement of Net Assets and the Balance Sheet in the amount of \$37,650,904 as of December 31, 2005. 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, 2005.

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.

A. Deposits with Financial Institutions

At December 31, 2005, the carrying amount of all SCCS deposits was \$266,886. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of December 31, 2005, all of SCCS bank balance was covered by Federal Deposit Insurance Corporation.

B. Investments

As of June 30, 2005, SCCS had the following investments and maturities:

Investment Type	Balance at Fair Value	Investment Maturities		
		Less than 1 Year	1 to 5 Years	More than 5 Years
U.S. Agencies	\$229,442	\$50,032	\$72,057	\$107,353
Money Market	279,061	279,061		
U.S. Treasury Notes	1,400,998	469,306	764,984	166,708
Total	<u>\$1,909,501</u>	<u>\$798,399</u>	<u>\$837,041</u>	<u>\$274,061</u>

Interest Rate Risk: SCCS does not have a policy addressing interest rates or maturities of investments.

Credit Risk: SCCS does not have a policy that addresses Credit Risk. As of December 31, 2005 the money market funds were rated AAAM by Standard & Poor's.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Concentration of Credit Risk: SCCS does not have a policy that addresses the Concentration of Credit Risk. The following table includes the percentage of each investment type held by SCCS at December 31, 2005.

Investment Type	Fair Value	% of Total Value
U.S. Agencies	\$229,442	12.02%
Money Market Funds	279,061	14.61%
U.S. Treasury Notes	1,400,998	73.37%
Total	\$1,909,501	100%

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets at December 31, 2005.

Cash and Investments per Footnote	
Carry Amount of Deposits	
County Cash Records	\$37,650,904
Carrying Amount of SCCS	266,886
Total Carrying Amount of Deposits	37,917,790
Investments	1,909,501
Total	\$39,827,291
Cash and Investments per Statement of Net Assets	
Governmental Activities	\$39,638,148
Agency Funds	189,143
Total	\$39,827,291

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. 2004 real property taxes were levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date, and were collected in 2005. Assessed values are established by State Law at 35 percent of appraised market value. Public utility property taxes received in 2005 attached as a lien on December 31, 2003, were levied after October 1, 2004, and were collected with real property taxes. Public utility property taxes

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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are assessed on tangible personal property at true value. 2005 tangible personal property taxes were levied after October 1, 2004, on the value listed as of December 31, 2004, and were collected in 2005. Tangible personal property assessments are percent of true value. The

NOTE 5 – PROPERTY TAX REVENUES (continued)

assessed value upon which the 2004 taxes were collected was \$12,130,303,957. The full tax rate for all County operations applied to taxable property for fiscal year ended December 31, 2005, 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, 2005. 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 2005 operations, the receivable is offset by a credit to deferred revenues.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6 – RECEIVABLES

Receivables at December 31, 2005, 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:

<u>Source of Funds</u>	<u>Amounts</u>
Title IV-E Administration	\$2,789,206
State of Ohio Homestead Rollback	1,110,466
Title IV-E	1,731,633
Medicaid Related	128,895
Training Title XX	22,450
State Child Adoption Subsidy	83,817
Independent Living	102,553
Cluster	63,100
Title IV-B	53,901
Adoption Grants	102,481
ESAA	48,185
Other	15,499
	<hr/>
Total	<u><u>\$6,252,186</u></u>

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 is as follows:

	Balance 12/31/2004	Additions	Disposals	Balance 12/31/2005
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$1,288,532	\$0	\$0	\$1,288,532
Construction in Progress	147,695	27,363	0	175,058
Total Capital Assets, Not Being Depreciated	<u>\$1,436,227</u>	<u>\$27,363</u>	<u>\$0</u>	<u>\$1,463,590</u>
Capital Assets, Being Depreciated				
Buildings	13,934,661	5,048	0	13,939,709
Machinery and Equipment	322,615	32,132	0	354,747
Vehicles	380,248	22,419	(33,226)	369,441
Total Capital Assets, Being Depreciated	<u>\$14,637,524</u>	<u>\$59,599</u>	<u>\$(33,226)</u>	<u>\$14,663,897</u>
Less: Accumulated Depreciation				
Buildings	(3,474,129)	(347,667)	0	(3,821,796)
Machinery and Equipment	(239,681)	(26,488)	0	(266,169)
Vehicles	(284,166)	(36,683)	33,226	(287,623)
Total Accumulated Depreciation	<u>\$(3,997,976)</u>	<u>\$(410,838)</u>	<u>\$33,226</u>	<u>\$(4,375,588)</u>
Total Capital Assets, Being Depreciated, Net	<u>10,639,548</u>	<u>(351,236)</u>	<u>0</u>	<u>10,288,309</u>
Governmental Activities Capital Assets, Net	<u><u>\$12,075,775</u></u>	<u><u>\$(323,873)</u></u>	<u><u>\$0</u></u>	<u><u>\$11,751,899</u></u>

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.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (continued)

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, 2005, 2004 and 2003 were \$2,738,181, \$2,709,776, and \$2,131,568, respectively. The full amount has been contributed for 2004 and 2003. 98.10 percent has been contributed for 2005. Effective January 1, 2006, the employee contribution rate will increase to 9.0% and the SCCS contribution rate will increase to 13.70%.

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.

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.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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

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 2005 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 2005. SCCS's actual contributions for 2005 which were used to fund post-employment benefits were \$109,527.

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, 2004, 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 2005, the number of active contributing participants was 355,287. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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, 2005, the liability for compensated absences was \$2,761,064.

NOTE 11 – OTHER EMPLOYEE BENEFITS

SCCS provides major medical/hospitalization, including dental and vision, coverage for all regular, full-time employees through Medical Mutual of Ohio. These benefits, single and family coverage as applicable, are effective sixty (60) days from the first day of employment for bargaining unit employees or they are effective the first payday after hire for all management and confidential employees. Employees may select from a program of traditional coverage which requires a deductible and co-payments, an Exclusive Provider Organization (EPO), 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
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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. In addition, a flexible spending program was introduced January 1, 2005. Any remaining balance within this plan reverts to SCCS's General Fund at the end of each year.

Life insurance is also provided as a benefit to full-time employees after the first year of employment for bargaining unit employees and the date of hire for management and confidential employees. Additional life insurance may be purchased by eligible employees.

NOTE 12 – INTER-COUNTY RECEIVABLES/PAYABLES

As of December 31, 2005, inter-county 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	\$12,054	\$0
Workers' Compensation	0	347,148
Mental Retardation and Developmental Disabilities	0	16,366
Other	0	2,981
Total	\$12,054	\$366,495

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. SCCS currently maintains general professional and liability insurance coverage for employees and volunteers. SCCS also maintains a separate indemnity policy for the Board of Directors. These policies are with private carriers.

SCCS paid claims of \$11,000 during 2005. There was no liability recorded for claims at the end of 2005.

NOTE 14 – CONTINGENCIES

Judgments and Claims: SCCS is subject to several claims and litigation of various types. As of December 31, 2005, the probability of loss potential and range of loss was not determinable.

**CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 15 – LEASES

SCCS leases one office facility under a non-cancellable operating lease agreement (one two-year agreement), one program support facility (one-year agreement) and three storage facilities (two under a one-year agreement and one under a two-year agreement). The aggregate required monthly lease payments are \$9,819 with annual increases based on the consumer price index.

Lease expense for these facilities in 2005 was approximately \$79,300.

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

2006	\$48,373
2007	4,300

SCCS also has several equipment lease arrangements based upon usage. Total expense on these leases for 2005 was approximately \$92,506.

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, 2005, SCCS's commitment to adoptive parents was \$3,731,400 for 607 children. Of this amount, \$496,176 is payable in 2006. No long-term liability has been recognized in SCCS's financial statements.

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

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, each major fund and the aggregate remaining fund information of the Summit County Children Services Board (SCCS), as of and for the year ended December 31, 2005, which collectively comprise SCCS's basic financial statements and have issued our report thereon dated June 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal 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 an opinion 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 reportable 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.

Compliance and other Matters

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*.

We noted certain matters that we reported to management of SCCS's in a separate letter dated June 16, 2006.

**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 16, 2006



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 21, 2006**