

CHILDREN SERVICES BOARD,  
SUMMIT COUNTY, OHIO

BASIC  
FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

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.





**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Summit County Children Services Board, prepared by Brott Mardis & Co., for the audit period January 1, 2003 through December 31, 2003. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

August 5, 2004

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**CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2003**

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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 financial statements of the governmental activities and the general fund of Summit County Children Services Board (CSB) as of and for the year ended December 31, 2003, which collectively comprise CSB's basic financial statements as listed in the table of contents. These 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 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 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. They do not purport to, and do not, present fairly the financial position and results of operations of Summit County, Ohio as of December 31, 2003 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 financial position of the governmental activities and the general fund of Summit County Children Services Board as of December 31, 2003, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2004, on our consideration of CSB's internal control over financial reporting and our test of its compliance with laws, regulations, contracts and grants. 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 and budgetary comparison information on pages 3 through 8, are not a required part of the basic financial statements but are 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 on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Summit County Children Services Board's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

  
Certified Public Accountants  
May 11, 2004

**Children Services Board**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2003*  
Unaudited

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**Management's Discussion and Analysis**

The management of Summit County Children Services Board (CSB), a special revenue fund of the County of Summit, is presenting an overview of CSB's financial activities for the year ended December 31, 2003 in addition to the audited financial statements. This additional information is being provided to meet certain disclosure requirements of the Government Accounting Standards Board Number 34, *Basic Financial Statements – and Management Discussion 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 CSB's basic financial statements. CSB is a special fund of the County of Summit; therefore, the statements and discussion focus on the portion of funds and transactions of CSB and are intended to emphasize CSB's overall financial status. The Basic Financial Statements are intended to provide a broad overview of CSB's activities and offer short and long term financial information.

**Basic Financial Statements**

The *Statement of Fund 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 government units. The Statement of Fund Net Assets provides information about all of CSB's assets and liabilities as of December 31, 2003. Changes in net assets will serve as a useful indicator of the financial health of CSB. 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 CSB, continued levy support, etc. Since CSB 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 CSB were financed in the short term 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

CSB's *Balance Sheet* as of December 31, 2003 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 CSB's services and programs. The Balance Sheet is divided into the following categories:

- Assets
- Liabilities
- Fund Balances

## Financial Highlights

Table 1 is a summary of the total Net Assets for CSB. Total Net Assets increased by \$3,161,354 or 5.3% during 2003. The larger increases in net assets are as follows:

- The largest line item increase was the Long Term Liability, which increased 13.4% during the year. The balance due for compensated absences increased as the total number of employees increased 8.4% at year end, accumulated vacation accrual increased 13.6%, accumulated compensatory time accrual decreased 5.6%, and the accumulated sick leave accrual increased 12.6% as the number of employees eligible to retire nearly doubled, with an increase of 48.6% from the prior year.
- Reserved for Encumbrances also increased as funds were set aside to cover expenditures for 2004.
- Prepaid Items decreased significantly (52.6%) from 2002. The annual premium for CSB's General and Professional Liability Insurance was paid in 2004, rather than 2003.
- Current and Other Liabilities decreased by 13.3% during the year. Deferred Revenue Taxes decreased significantly to \$22,524,733 or 9.7%.

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

Table 1  
Net Assets  
(In Thousands of Dollars)

	Governmental Activities			
	2003	2002	Dollar Change	Percentage Change
<i>Assets</i>				
Current and Other Assets	\$ 77,656	\$ 77,846	\$ (190)	-0.2%
Capital Assets, Net	12,371	12,606	(235)	-1.9%
<b>Total Assets</b>	<b>90,027</b>	<b>90,452</b>	<b>(425)</b>	<b>-0.5%</b>
<i>Liabilities</i>				
Current and Other Liabilities	24,958	28,790	(3,832)	-13.3%
Long Term Liabilities	2,081	1,835	246	13.4%
<b>Total Liabilities</b>	<b>\$ 27,039</b>	<b>\$ 30,625</b>	<b>(3,586)</b>	<b>-11.7%</b>
<b>Net Assets</b>	<b><u>\$ 62,988</u></b>	<b><u>\$ 59,827</u></b>	<b><u>\$ 3,161</u></b>	<b><u>5.3%</u></b>
Invested in Capital Assets	\$ 12,371	\$ 12,606	\$ (235)	-1.9%
Reserved:				
for Encumbrances	2,448	2,163	285	13.2%
for Prepaid Items	59	124	(65)	-52.6%
Unreserved:	48,110	44,934	3,176	7.1%
<b>Total Net Assets</b>	<b><u>\$ 62,988</u></b>	<b><u>\$ 59,827</u></b>	<b><u>\$ 3,161</u></b>	<b><u>5.3%</u></b>

Table 2 is a summary of the Changes in Net assets for CSB. Total Revenues decreased by \$11,737, or less than 0.1%, from the prior year. CSB 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 CSB, even though it is less than last year. CSB 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 CSB in support of its programs. The larger changes in the revenue stream include:

- A decrease in Investment Earnings as investments in Treasury Bills and Notes experienced a decrease in unrealized gains for CSB. These investment earnings relate to funds that have been donated to CSB.
- Charges for Services decreased in 2003 as the billing/reimbursement process for children placed in the Purchased Paid Placements was suspended during the employee union strike (July through December). Revenues will continue in 2004 as the billing/reimbursement process resumes. However, the Title IV-E revenues as related to the reimbursement expenses for children residing in the Receiving Unit, tapered off in 2003 and discontinued in 2004, as the program was closed in July 2003 and not resumed.
- The taxes received from the State Homestead and Rollback were reclassified from the Property Taxes to Operating Grants and Contributions (Intergovernmental Revenue). Since the monies are received from State Funds and not directly from the Real Estate Tax Payers of Summit County, the adjustment was made to correctly reflect the source of revenues. The year 2002 was adjusted by \$2,574,251 and year 2003 by \$2,733,040 respectively.
- The total net Expenditures decreased \$1,264,165 or 2.8% from 2002.
- The largest decrease in Expenditures relate to the difference in employee payroll and benefits. This difference is due to the CSB's employee union's five-month strike during 2003. Payroll expenditures reduced by \$1,744,383 or 9.6% and the related employee benefits were lower by \$516,123 or 9.1% respectively.
- The largest increase in Expenditures relates to children in special needs placements such as residential treatment centers and group homes. Expenditures increased about \$1,404,931 during 2003.
- An Extraordinary expenditure occurring in 2003 is an expenditure of \$618,856 for the medically fragile children in Summit County. CSB did not incur this expenditure in prior years. The expenditure was paid to the Ohio Department of Health Supplement. The expenditure is expected to continue into 2004, but the expenditure is expected to be insignificant.

Table 2  
Changes in Net Assets  
(In Thousands of Dollars)

	2003	2002	Dollar Change	Percentage Change
<b>Revenues</b>				
<b>Program Revenues</b>				
	\$ 3,091	\$ 4,587	\$ (1,496)	-32.6%
* Operating Grants and Contributions	17,255	17,172	83	0.5%
<b>General Revenues</b>				
* Property Taxes	25,364	23,620	1,744	7.4%
Investment Earnings	40	268	(228)	-85.1%
Miscellaneous	586	700	(114)	-16.3%
<b>Total Revenues</b>	<b>46,336</b>	<b>46,347</b>	<b>(11)</b>	<b>0.0%</b>
<b>Expenditures</b>				
<b>Human Services</b>	<u>43,175</u>	<u>44,438</u>	<u>(1,263)</u>	<u>-2.8%</u>
<b>Increase in Net Assets</b>	<u>\$ 3,161</u>	<u>\$ 1,909</u>	<u>\$ 1,252</u>	<u>65.6%</u>

\* Revenues reclassified for Homestead Exemption for the years 2002 and 2003 total \$2,574 and \$2,733 respectively.

See Footnote number 15.

## Activities by Program

There are several social service programs offered by CSB. The social service programs are based on the Ohio Revised Code and Ohio Administrative Code mandates. They are grouped into eight (8) major activities. These activities, listed below in Table 3, are reported on the cash basis 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

	2003 Actual	2002 Actual
<i><b>Direct Operating Revenues</b></i>		
Training	\$819,488	\$806,888
Investigative / Initial Assessment	3,266,740	4,150,998
Preventive / Protective	4,643,021	4,924,818
Foster Care	3,397,101	4,078,712
Paid Placement	1,937,016	3,516,505
Adoption Placement and Subsidies	1,652,496	1,278,919
Receiving Unit Care	1,129,193	1,862,422
Direct Child Medical Care	<u>441,728</u>	<u>590,713</u>
<i><b>Total Direct Operating Revenues</b></i>	<u><b>\$17,286,783</b></u>	<u><b>\$21,209,975</b></u>
Training	\$940,225	\$942,834
Investigative / Initial Assessment	3,591,406	4,298,755
Preventive / Protective	5,743,228	6,179,391
Foster Care	7,052,591	8,077,227
Paid Placement	10,800,983	9,686,952
Adoption Placement and Subsidies	2,140,769	1,648,264
Receiving Unit Care	1,374,887	1,829,482
Direct Child Medical Care	<u>727,401</u>	<u>749,404</u>
<i><b>Total Direct Operating Expenditures</b></i>	<u><b>\$32,371,490</b></u>	<u><b>\$33,412,309</b></u>

## Budgeting Highlights

As a special revenue fund of the County of Summit, the CSB budget is included in the County of Summit budgeting and reporting. CSB's internal budgeting process is detailed in the Notes to the Basic Financial Statements number 2C *Budgetary Data*.

During 2003, the budget increased \$1,035,823.

- The County Executive Office authorized a budget increase of \$1,035,823. The budget adjustment was to cover expenditures occurring in 2003 for the medically fragile children in Summit County. CSB did not incur this expenditure in prior years. The expenditure was paid to the Ohio Department of Health Supplement. Actual expenditure for 2003 totaled \$618,856.
- All other budget changes were made within authorized budget line items.

## Capital Assets

At December 31, 2003, CSB had \$12,370,903 invested in capital assets as detailed in Table 4. There was a \$235,117, or 1.9%, decrease from December 31, 2002. The largest decrease, in all categories, except land, was related to the depreciation expense of \$417,752. The Construction in Progress expense of \$142,996 pertains to the architect fees for the planned Visitation/Respite Center, to be constructed on the land purchased in 2002.

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

<i>Capital Asset</i>	2003	2002	Dollar Change	Percentage Change
Land	\$1,288,532	\$1,288,532	\$0	0.0%
Buildings	10,798,677	11,146,608	(349,140)	-3.1%
Machinery and Equipment	90,391	107,322	(15,723)	-14.7%
Vehicles	50,307	63,558	(13,250)	-20.8%
Construction in Progress	<u>142,996</u>	<u>0</u>	<u>142,996</u>	<u>NA</u>
<b><i>Total Capital Assets at Year End</i></b>	<b><u>\$12,370,903</u></b>	<b><u>\$12,606,020</u></b>	<b><u>(\$235,117)</u></b>	<b><u>-1.9%</u></b>

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

## Economic Factors

CSB 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 CSB are channeled through the Intake Department (Investigative/Initial Assessment) where assessment takes place; that is, the alleged abuse is either *substantiated* and a case is opened, or *unsubstantiated* and the case is closed, or *indicated* and additional assistance is provided to the family. CSB 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 care and kinship care programs (Foster Care, Paid Placement, Receiving Unit). 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, CSB has been able to accumulate a cash reserve. As CSB nears the end of its current levy cycle, the cash reserve balance will naturally decrease. At the same time, CSB (as well as other local government agencies) is experiencing budget challenges as the state and federal budgets are being cut. The uncertainty of future funding is growing each year. Over the next three years, that is, the next levy cycle, CSB 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. CSB expects continued support of its programs and services through the passage of the Levy.

## **Next Year's Budget**

For year 2004, only a minimal increase in the operating expenditures budget was projected. In conjunction with the current five-year plan, CSB anticipates continued services and programs with an emphasis on improving quality and the delivery of services and programs.

A three-year agreement between CSB and the Communication Workers of America Local 4546, who represent CSB's bargaining unit employees, expired on March 31, 2003. Provisions were made in the 2004 budget for a moderate settlement.

In addition, a capital improvements budget item was included in CSB's budget for 2004. The capital expenditure budget of \$2,536,500 is for the construction of a Visitation / Respite Center. The land was purchased from the City of Akron in 2002 and is adjacent to the main facility on Arlington Street. Plans for the facility have been under development within CSB's long range Campus Plan for several years. The current facilities housing the Visitation Center and the Respite Center Programs were originally built in the 1960's to temporarily house young children when a foster family wasn't available. The Visitation Program provides children and their families an opportunity to interact in a controlled environment. Family visits are court ordered and facilitate reunification with their child(ren). The Respite Program provides short-term childcare, planned or emergency, for foster parents. The growing needs and expansion of these programs demand a larger facility. Combining the two programs into one building will consolidate personnel and maximize space utilization of the facility. The new location will also provide easier access from the major streets and highways, as well as a city bus route. Providing a quiet, safe environment for children and their families is a major goal in the architectural design of the building.

## **Contacting CSB'S Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of CSB's finances and to show CSB'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, Ohio 44306-1399.

## **BASIC FINANCIAL STATEMENTS**

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The following basic financial statements, along with the notes to the basic financial statements, present an overview of CSB's financial position at December 31, 2003, and the results of operations for the year then ended.

**CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2003**

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash, Cash Equivalents and Investments	\$ 46,136,532
Cash and Cash Equivalents in Segregated Accounts	188,883
Investments in Segregated Accounts	1,900,900
Receivables:	
Taxes	24,664,354
Accrued Interest	17,569
Other	55,522
Due from County Funds	36,166
Due from Other Governments	4,597,602
Prepaid Items	58,520
Nondepreciable Capital Assets, Net	1,431,528
Depreciable Capital Assets, Net	10,939,375
	90,026,951
 <b><u>Liabilities</u></b>	
Accounts Payable	1,296,612
Accrued Wages and Benefits	743,615
Current Portion Compensated Absences Payable	10,329
Compensated Absences Payable	2,081,224
Due to Other Governments	48,004
Deferred Revenue Taxes	22,524,733
Deferred Revenue Other	10,361
Due to County Funds	324,043
	27,038,921
 <b><u>Net Assets</u></b>	
Invested in Capital Assets, Net of Related Debt	12,370,903
Restricted for:	
Prepaid Items	58,520
Encumbrances	2,448,301
Unrestricted	48,110,306
	62,988,030
<b>Total Net Assets</b>	<b>\$ 62,988,030</b>

See notes to basic financial statements.

**CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b><u>Governmental Activities:</u></b>			
<b>General Government:</b>			
<b>Human Services</b>	<b>\$ 43,174,315</b>	<b>\$ 3,090,942</b>	<b>\$ 17,254,526</b>
			<b>\$ (22,828,847)</b>

**General Revenues**

Property Taxes Levied for General Purposes	25,364,344
Investment Earnings	39,835
Miscellaneous	586,022
<b>Total General Revenues</b>	<b>25,990,201</b>
<b>Change in Net Assets</b>	<b>3,161,354</b>
<b>Net Assets Beginning of Year</b>	<b>59,826,676</b>
<b>Net Assets End of Year</b>	<b>\$ 62,988,030</b>

See notes to basic financial statements.

**CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2003**

		<b>Total Governmental Funds</b>
<b><u>Assets</u></b>		
Equity in Pooled Cash, Cash Equivalents and Investments	\$	46,136,532
Cash and Cash Equivalents in Segregated Accounts		188,883
Investments in Segregated Accounts		1,900,900
Receivables:		
Taxes		24,664,354
Accrued Interest		17,569
Other		55,522
Due from County Funds		36,166
Due from Other Governments		4,597,602
Prepaid Items		58,520
		<hr/>
Total Assets	\$	<u>77,656,048</u>
 <b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities:</b>		
Accounts Payable	\$	1,296,612
Accrued Wages and Benefits		743,615
Current Compensated Absences Payable		10,329
Due to Other Governments		48,004
Deferred Revenue Taxes		22,524,733
Deferred Revenue Other		10,361
Due to County Funds		324,043
		<hr/>
Total Liabilities		24,957,697
 <b>Fund Balances:</b>		
Reserved for Encumbrances		2,448,301
Reserved for Prepaid Items		58,520
Unreserved		50,191,530
		<hr/>
Total Fund Balances		<u>52,698,351</u>
		<hr/>
Total Liabilities and Fund Balances	\$	<u>77,656,048</u>

See notes to basic financial statements.

**CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO**  
**NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2003**

Total Governmental Fund Balances	\$ 52,698,351
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	12,370,903
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	<u>(2,081,224)</u>
Net assets of Governmental Activities	<u>\$ 62,988,030</u>

See notes to basic financial statements.

**CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>	
Property and Other Taxes	\$ 25,364,344
Charges for Services	3,090,942
Intergovernmental	17,254,526
Interest	39,835
Miscellaneous	<u>586,022</u>
 Total Revenues	 46,335,669
 <b><u>Expenditures</u></b>	
Human Services	<u>42,693,317</u>
 Excess of Revenues Over Expenditures	 3,642,352
 Fund Balance Beginning of Year	 <u>49,055,999</u>
 Fund Balance End of Year	 <u><u>\$ 52,698,351</u></u>

See notes to basic financial statements.

CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003

Net Change in Fund Balance - Total Governmental Funds \$ 3,642,352

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	182,635	
Current Year Depreciation	<u>(417,752)</u>	
Total		(235,117)

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

Compensated Absences		<u>(245,881)</u>
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Change in Net Assets of Governmental Activities \$ 3,161,354

See notes to basic financial statements.

**CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Taxes	\$ 27,005,168	\$ 25,462,369	\$ 25,023,366	\$ (439,003)
Charges for Services	5,575,000	5,575,000	3,095,155	(2,479,845)
Intergovernmental	7,620,000	7,620,000	13,821,336	6,201,336
Other	432,000	432,000	310,505	(121,495)
<b>Total Revenues</b>	<b>40,632,168</b>	<b>39,089,369</b>	<b>42,250,362</b>	<b>3,160,993</b>
<b>Expenditures:</b>				
Personal Services	19,203,150	19,203,150	16,310,270	2,892,880
Supplies	1,253,920	1,253,920	1,065,145	188,775
Materials	62,730	62,730	44,659	18,071
Travel	603,620	603,620	600,287	3,333
Contract Repairs	-	-	(55)	55
Contract Services	18,018,600	18,018,600	17,874,986	143,614
Benefits	6,267,480	6,267,480	5,054,928	1,212,552
Other	1,449,490	1,449,490	1,234,034	215,456
Medical Expenses	481,090	1,516,913	1,043,187	473,726
Equipment	1,620,000	1,620,000	808,885	811,115
<b>Total Expenditures</b>	<b>48,960,080</b>	<b>49,995,903</b>	<b>44,036,326</b>	<b>5,959,577</b>
<b>Excess of Revenues Over Expenditures</b>	<b>(8,327,912)</b>	<b>(10,906,534)</b>	<b>(1,785,964)</b>	<b>9,120,570</b>
<b>Other Financing Sources:</b>				
Other Financing Sources	-	-	59,785	59,785
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>59,785</b>	<b>59,785</b>
<b>Excess of Revenues and Other Financing Sources Over Expenditures</b>	<b>(8,327,912)</b>	<b>(10,906,534)</b>	<b>(1,726,179)</b>	<b>9,180,355</b>
<b>Fund Balances at Beginning of Year</b>	<b>34,670,441</b>	<b>29,886,566</b>	<b>37,612,357</b>	<b>7,725,791</b>
<b>Fund Balances at End of Year</b>	<b>\$ 26,342,529</b>	<b>\$ 18,980,032</b>	<b>\$ 35,886,178</b>	<b>\$ 16,906,146</b>

See notes to basic financial statements.

**CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

**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. 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

1. **REPORTING ENTITY (Continued)**

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 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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of CSB have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below:

A. **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.

### **B. BASIS OF ACCOUNTING**

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities display information about CSB as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. CSB had no business-type activities during the year ended December 31, 2003.

The statement of net assets presents the financial condition of the governmental activities of CSB at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of CSB's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular program. Revenues which are not classified as program revenues are presented as general revenues of CSB, 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 CSB.

Fund Financial Statements – Fund financial statements are designed to present financial information of CSB 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. CSB has no nonmajor funds for the year ended December 31, 2003.

## 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 1<sup>st</sup> of a given year, or adopts a temporary appropriation measure with final passage of a permanent budget by April 1<sup>st</sup>. Budgets are adopted by major expenditure and revenue category.

Each department and program director of 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 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 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	\$ (1,726,179)
Net Adjustment for Revenue Accruals	3,675,805
Net Adjustment for Expenditure Accruals	3,226,123
Net Adjustment for Encumbrances	193,744
Net Adjustment for Nonbudgeted Activity	<u>(2,208,139)</u>
GAAP Basis	<u>\$ 3,161,354</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, 2003. 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**

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 CSB's capitalization policy to exclude "infrastructure" or public domain fixed assets from being reported.

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

**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 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.

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

G. **INTERCOUNTY TRANSACTIONS**

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

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. The Fund Balance Reserved for Encumbrances is an account set up to segregate a portion of fund balance for expenditure upon vendor performance. The Fund Balance Reserved for Prepaid Items is an account to segregate a portion of the fund balance that is applicable to prepaid items and is, therefore, not available for current needs.

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.

CSB records a liability for accumulated, unused vacation for all employees with more than one year of service. CSB records a liability for accumulated, unused sick and compensatory time for eligible employees in the period in which the employee becomes eligible to receive payment. The current portion of unpaid compensated absences is the amount payable using expendable available resources. These amounts are recorded as fund liabilities.

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.

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

K. **ACCOUNTING STANDARDS**

Change in Accounting Principles

Beginning in 2002, CSB implemented GASB Statement No. 34, “Basic Financial Statements-and Management’s Discussion and Analysis (MD&A)-for State and Local Governments”, and GASB Statement No. 37, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus”. GASB Statement No. 34 creates new basic financial statements for reporting on CSB’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. The government-wide financial statements split CSB’s programs between business-type and governmental activities.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds.

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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;
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.

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

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 \$46,136,532 as of December 31, 2003. 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, 2003.

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 "Investments in Segregated Accounts" on the balance sheet to indicate that they are not part of the County treasury. At December 31, 2003, the carrying amount of CSB's deposits was \$188,883 and the bank balance was \$192,024. The difference between the carrying amount and the bank balance were items in transit. Included in the bank balance was \$149,379 which 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.

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 investments, with securities held by the counterparty's trust department or agent in CSB's name. Category 3 includes uninsured and unregistered investments, 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 <u>1</u>	Market <u>Value</u>
Federal Government Securities	\$1,618,403	\$1,687,734
Money Market Funds	<u>213,166</u>	<u>213,166</u>
Total	<u>\$1,831,569</u>	<u>\$1,900,900</u>

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

CSB adheres to 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 balances.

**4. PROPERTY TAX REVENUES**

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. 2002 real property taxes were levied after October 1, 2002 on the assessed value as of January 1, 2002, the lien date, and were collected in 2003. Assessed values are established by State Law at 35% of appraised market value. Public utility property taxes received in 2002 attached as a lien on December 31, 2001, were levied after October 1, 2002, and were collected with real property taxes. Public utility property taxes are assessed on tangible personal property at true value. 2003 tangible personal property taxes were levied after October 1, 2002, on the value listed as of December 31, 2002, and were collected in 2003. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2002 taxes were collected was \$11,922,128,807. The full tax rate for all County operations applied to taxable property for fiscal year ended December 31, 2003, was \$13.07 per \$1,000 of assessed valuation, of which \$2.56 per \$1,000 of assessed valuation is for the operation of CSB.

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, 2003. 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 2003 operations, the receivable is offset by a credit to deferred revenues.

Taxes revenue for 2003 was \$25,364,344, net of collection fees of \$336,994.

## 5. RECEIVABLES

Receivables at December 31, 2003, 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:

### *General Fund*

<u>Source of Funds</u>	<u>Amounts</u>
Title IV-E Administration	\$2,385,177
State of Ohio Homestead Rollback	1,326,789
Medicaid Related	161,094
State Child Adoption Subsidy	140,176
Adoption Grants	93,860
TANF Title XX	77,048
ESAA	42,121
Title IV-B	99,521
Cluster	128,429
Other	11,823
Independent Living	<u>131,564</u>
Total General Fund	<u>\$4,597,602</u>

## 6. FIXED ASSETS

A summary of changes in fixed assets follows:

	Balance 12/31/2002	Additions	Disposals	Balance 12/31/2003
Land	\$ 1,288,532	\$ -	\$ -	\$ 1,288,532
Buildings	13,916,416	6,040	-	13,922,456
Machinery and Equipment	559,082	13,441	-	572,523
Vehicles	321,596	20,158	17,578	324,176
Construction in Progress	-	142,996	-	142,996
	<u>\$ 16,085,626</u>	<u>\$ 182,635</u>	<u>\$ 17,578</u>	<u>\$ 16,250,683</u>

A summary of changes in accumulated depreciation follows:

	Balance 12/31/2002	Additions	Disposals	Balance 12/31/2003
Buildings	\$ 2,769,808	\$ 353,971	\$ -	\$ 3,123,779
Machinery and Equipment	451,760	30,372	-	482,132
Vehicles	258,038	33,409	17,578	273,869
	<u>\$ 3,479,606</u>	<u>\$ 417,752</u>	<u>\$ 17,578</u>	<u>\$ 3,879,780</u>

6. **FIXED ASSETS (Continued)**

The GASB has issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Statement No. 34 established comprehensive financial reporting standards including the basic financial statements and required supplementary information for general-purpose governments. Application of this standard is required for fiscal year 2003, as CSB is a governmental unit of the County of Summit. A component of Statement No. 34 is the recording of depreciation expense for assets that are considered depreciable. Depreciation expense of \$417,752 was recorded in 2003. During 2003, the Construction in Progress for building the Visitation/Respite Center of \$142,996 was for architect fees. The remaining budget commitment for this project is \$2,936,500, which was carried over into 2004 budget.

7. **DEFINED BENEFIT PENSION PLAN**

CSB contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone 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 or by calling 614-222-6705 or 1-800-222-PERS(7377).

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. The 2003 employer contribution rate for state employers was 13.31% of covered payroll. For local government employer units, the rate was 13.55% of covered payroll (which applied to CSB). For law enforcement and public safety divisions, the employer rate was 16.70% of covered payroll. The required employer contributions from CSB to OPERS for the years ended 2003, 2002 and 2001 were \$2,131,568, \$2,407,101, and \$2,202,437, respectively. 95.6%, 96.1%, and 95.6% of the required amounts, respectively, were contributed in the respective years with the remainders being reported as fund liabilities which were paid-in-full in the immediate succeeding years.

## 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 OPERS is set aside for the funding of post-retirement health care.

The Ohio Revised Code provides statutory authority for employer contributions. The 2003 employer contribution rate for state employers was 13.31% of covered payroll; 5.00% was the portion that was used to fund health care for the year. For local government employer units the rate was 13.55% of covered payroll (which applied to CSB); 5.00% was the portion that was used to fund health care for the year. The law enforcement employer rate was 16.70% and 5.00% was used to fund health care for the year.

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

### 1. Summary of Assumptions:

**Actuarial Review.** The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002.

**Funding Method.** 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 unfunded actuarial accrued liability.

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

**Investment Return.** The investment assumption rate for 2002 was 8.00%.

**Active Employee Total Payroll.** An annual increase of 4.00% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.3%.

**Health Care.** Health care costs were assumed to increase 4.00% annually.

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

2. OPEBs are advance-funded on an actuarially determined basis.
  1. As of December 31, 2003, the number of active contributing participants was 364,881.
  2. The rates stated above are the actuarially determined contribution requirements for OPERS. Included in CSB's year 2003 cash contributions to OPERS of \$2,130,948 was \$786,320 which was used to fund postemployment benefits.
  3. \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002.
  4. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

**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, 2003.

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. In February 2001, CSB 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 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 vacation and compensatory time payments are made at the employee's wage rate at the time of termination.

CSB records an accrual for sick leave at year end for any employee eligible for retirement at December 31. Summit County, fiscal officer of CSB, records sick leave for any employee with eight or more years of service. If CSB recorded sick leave in accordance with Summit County's policy, the total compensated absences payable would have totaled \$2,604,117 at December 31, 2003.

A summary of the changes in compensated absences during 2003 follows:

<u>Description</u>	<u>Balance 12/31/02</u>	<u>Net Increase</u>	<u>Balance 12/31/03</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
Accrued Vacation	\$ 1,475,730	\$ 200,632	\$ 1,676,362	\$ 9,197	\$ 1,667,165
Accrued Comp Time	227,571	(12,737)	214,834	-	214,834
Accrued/Vested Sick Leave	154,728	45,629	200,357	1,132	199,225
Totals	<u>\$ 1,858,029</u>	<u>\$ 233,524</u>	<u>\$ 2,091,553</u>	<u>\$ 10,329</u>	<u>\$ 2,081,224</u>

The current portion of unpaid compensated absences is the amount payable using expendable available resources. These amounts are recorded as fund liabilities.

**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, 2003, 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>
Juvenile Court	\$ 36,166	\$ -
Workers' Compensation	-	257,301
Public Employees Retirement System	-	64,923
Other	-	1,819
	<hr/>	<hr/>
Total General Fund	<u>\$ 36,166</u>	<u>\$ 324,043</u>

**13. RISK MANAGEMENT**

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

CSB paid claims of \$5,190 during 2003. There was no liability recorded for claims at the end of 2003. CSB currently maintains general professional and liability insurance coverage for employees and volunteers. The current policy became effective April 1, 2004. During 2003, the policy was effective through June.

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

**14. CONTINGENCIES**

Judgments and Claims: CSB is subject to several claims and litigation of various types. As of December 31, 2003 and May 11, 2004, the probability of loss potential was not determinable, and was accordingly not recorded on the financial statements. However, as of May 11, 2004, the possible estimated range of loss, if any, was between \$25,000 and \$10,000,000.

CSB's tax levy in November 2003 did not pass. The tax levy is expected to be on an upcoming ballot in 2004.

**15. COMMITMENTS**

Due to the timing of invoice approval and payment process, the recording of expenditures for year 2003 was delayed into 2004 for placement of children in residential treatment centers, group homes, specialized foster homes, and emergency placement services. As the CSB's policy is to recognize payables through 60 days following the end of the fiscal year (see Note F), there are \$385,461 in expenditures for 2003 (paid after February 29, 2004) that are not included in accounts payable as of December 31, 2003.

16. **LEASES**

CSB leases three office facilities under noncancellable operating lease agreements (one one-year agreement, and two two-year agreements), two program support facilities (both one-year agreements), and two storage facilities, one under a one-year agreement and one under a two year agreement. The aggregate required monthly lease payments are \$10,100 with annual increases based on the consumer price index.

Lease expense for these facilities in 2003 was approximately \$113,443.

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

2004	\$84,589
2005	10,760

CSB also has several equipment lease arrangements based upon usage. Total expense on these leases for 2003 was approximately \$106,840.

17. **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, CSB 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, 2003, CSB's commitment to adoptive parents was \$2,627,819 for 444 children. Of this amount, \$350,211 is payable in 2004. No long-term liability has been recognized in CSB's financial statements.

18. **SUBSEQUENT EVENTS**

A three-year agreement between CSB and the Communications Workers of America, who represent CSB's bargaining unit staff, expired March 31, 2003. As of December 16, 2003, the CSB and the union agreed to have the labor contract settled through binding arbitration, provided by SERB (State Employees Relations Board). No liability has been provided for in CSB's financial statements, however, the budget for 2004 was developed based on an estimated contract settlement.

CSB recently learned that it is not covered under the county's Honesty and Fidelity Blanket Bond and hasn't been covered since February 1999. The process is underway to reinstate coverage for CSB employees.

CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2003

<u>FEDERAL GRANTOR/PASS-THROUGH ENTITY/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURE</u>
<u>U.S. Department of Health and Human Services</u>		
Pass-through from County of Summit, Ohio		
Kinship Navigator	93.558	\$ 42,761
Prevention, Retention & Contingency	93.558	81
Child Welfare	93.558	<u>461,068</u>
Total U.S. Department of Health and Human Services		<u>503,910</u>
<u>U.S. Department of Agriculture</u>		
Pass-through from Ohio Department of Education		
Federal Food Subsidy	10.555	<u>6,082</u>
Total U.S. Department of Agriculture		<u>6,082</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 509,992</u></u>

The note to the Schedule of Federal Awards Expenditures is an integral part of this schedule.

CHILDREN SERVICES BOARD, SUMMIT COUNTY, OHIO

NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

DECEMBER 31, 2003

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NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures is a summary of the Summit County Children Services Board (CSB) federal award programs. The schedule has been prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



BROTT MARDIS & CO.

Certified Public Accountants

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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 financial statements of the Summit County Children Services Board (CSB) as of and for the year ended December 31, 2003, and have issued our report thereon dated May 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether CSB'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 that are required to be reported under *Government Auditing Standards*.

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 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 those misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 11, 2004



BROTT MARDIS & CO.

Certified Public Accountants

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REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Summit County Children Services Board (CSB) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. CSB's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of CSB's management. Our responsibility is to express an opinion on CSB's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CSB's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on CSB's compliance with those requirements.

In our opinion, CSB complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

#### Internal Control Over Compliance

The management of CSB is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered CSB's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

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.



Certified Public Accountants

May 11, 2004

SUMMIT COUNTY CHILDREN SERVICES BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2003

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of CSB.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of CSB were disclosed during the audit.
4. No reportable conditions in internal control were disclosed during the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award program for CSB expresses an unqualified opinion on the major federal program.
6. No audit findings relative to the major federal award program for CSB are reported in this schedule.
7. The program tested as the major program was the Child Welfare – TANF Grant – CFDA #93.558.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. CSB was not determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS

None



**Auditor of State  
Betty Montgomery**

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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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 24, 2004**