

Summit County Children Services

*Audited Financial Statements
December 31, 2011*



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Summit County Children Services, Summit County, prepared by Rea & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. 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 is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 19, 2012

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SUMMIT COUNTY CHILDREN SERVICES

For The Year Ended December 31, 2011
Table of Contents

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	16
Statement of Fiduciary Net Assets – Fiduciary Funds	17
Notes to the Basic Financial Statements.....	18
Independent Auditor’s 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.....	40

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June 18, 2012

To the Board of Trustees
Summit County Children Services
264 South Arlington Street
Akron, OH 44306

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Summit County Children Services (SCCS), as of and for the year ended December 31, 2011 which collectively comprise the SCCS' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the SCCS' management. Our responsibility is to express opinions 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 opinions.

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 the SCCS as of December 31, 2011, and the respective changes in financial position and respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2012 on our consideration of the SCCS' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hea & Associates, Inc.

SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
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, 2011, 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.

Financial Highlights

- The primary source of revenues for SCCS is the 2.25 mill levy approved by Summit County residents in 2007 replacing a 2.56 mill levy originally approved in 1999
- 2011 reflects the fourth year of a six year levy collections
- The levy provided \$27.1 million revenues (cash basis) in 2011
- Remaining revenues (cash basis) received in 2011: Federal \$17.0 million and State \$2.9 million
- For children eligible to receive such funds, the American Recovery and Reinvestment Act (ARRA) of 2011 Stimulus Funds provided \$182,001 related to Title IV-E. ARRA funds expired June 30, 2011.
- During 2011, SCCS increased the Fund Balance by \$2.8 million
- Total Net Assets increased during 2011 by \$946,254

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.

SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

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, 2011. 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, 2011 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

SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

Table 1 is a summary of the Total Net Assets for SCCS. Total Net Assets increased by \$946,254 or 1.8 percent during 2011. The more significant changes from 2010 to 2011 and some items of interest during 2011 with a financial impact on the Net Assets are listed:

- Total Assets decreased \$1,581,126. The largest change in Assets is to Equity in pooled cash, cash equivalents, and investments which increased \$2,034,382. The increase to Equity in pooled cash, cash equivalents, and investments is more than offset by decreases in Taxes Receivable of \$1,625,168 and Due from Other Governments by \$1,554,874. Capital Assets decreased due to Depreciation Expense by \$431,534. There was an addition to Capital Assets of \$23,669 for Construction in Progress.
- Total Liabilities decreased \$2,527,380 primarily due to a decrease in Deferred Revenue - Taxes of \$2,092,640. The changes in Net Assets were primarily a decrease in Investment in Capital Assets as a result of depreciation of \$431,534, and an increase to Unrestricted Net Assets as a result of Governmental Activities for the year of \$1,366,143.

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

Table 1
Net Assets
(In Thousands of Dollars)

	2011	2010	Governmental Activities Dollar Change	Percentage Change
Assets				
Current and Other Assets	\$72,931	\$74,104	(\$1,173)	(1.6%)
Capital Assets, Net	10,067	10,475	(408)	(3.9%)
Total Assets	82,998	84,579	(1,581)	(1.9%)
Liabilities				
Current and Other Liabilities	25,642	28,039	(2,397)	(8.5%)
Long-Term Liabilities	2,407	2,537	(130)	(5.1%)
Total Liabilities	28,049	30,576	(2,527)	(8.3%)
Net Assets				
Invested in Capital Assets	10,067	10,475	(408)	(3.9%)
Restricted	2,107	2,119	(12)	(0.6%)
Unrestricted	42,775	41,409	1,366	3.3%
Total Net Assets	\$54,949	\$54,003	\$946	1.8%

SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

Table 2 is a summary of the Changes in Net Assets for SCCS. Total Revenues have decreased by \$5,873,884 or 10.9 percent from the prior year. SCCS is fortunate to be supported by the local community through the passage of the real estate tax levy. The larger changes in the revenue stream include:

- Program Revenues decreased \$4,726,986 from 2010 to 2011.
- Property Tax Revenues increased by \$194,576 or .8% during the fourth year of a levy passed in 2007.
- Expenditures decreased from 2010 to 2011 by \$3,871,892 or 7.6%. Salaries decreased \$1,125,270 attributable to attrition and outsourcing some services. A PERS early retirement incentive plan which added \$963,565 to benefits expense. Contract Services decreased \$962,182 primarily from a reduction in paid placement expense for children in custody.

Table 2
Net Assets
(In Thousands of Dollars)

	2011	2010	Dollar Change	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$5,413	\$4,267	\$1,146	26.9%
Operating Grants & Contributions	12,608	18,481	(5,873)	(31.8%)
Total Program Revenues	<u>18,021</u>	<u>22,748</u>	<u>(4,727)</u>	<u>(20.8%)</u>
General Revenues				
Property Taxes	24,428	24,234	194	.8%
Grants & Entitlements, not Restricted	5,111	6,172	(1,061)	(17.2%)
Investment Earnings	25	30	(5)	(16.7%)
Miscellaneous	543	818	(275)	(33.6%)
Total Revenues	<u>48,128</u>	<u>54,002</u>	<u>(5,874)</u>	<u>(10.9%)</u>
Expenditures				
Human Services	47,182	51,054	(3,872)	(7.6%)
Increase in Net Assets	<u>\$946</u>	<u>\$2,948</u>	<u>(\$2,002)</u>	<u>(67.9%)</u>

SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

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".

The 2011 budget includes projected revenues of \$50,288,222 56% of which are levy revenues. It includes expenditures of \$60,774,863, of which \$10,200,000 is for placement expenditures and \$25,985,000 is for payroll and benefits.

The budget continues a comprehensive spending reduction plan to best position the SCCS during the current levy period and beyond. The details of the plan thus far include:

- Completion of an early retirement incentive program (three year OPERS service credit buyout) which began February 1, 2010 and ended January 31, 2011.
- Restructuring of Social Services to strengthen the core/mandated service areas of Intake and Protective Services and enhance family centered services.
- Social Service staff have been reassigned from the non-mandated areas such as Kinship Care and Foster Care to Intake and Protective Services. This has reduced the ratio of supervisor/worker and reduced caseloads in both areas.
- Visitation Services are now purchased from an external provider to afford transition time for the social workers to begin conducting visit supervision with their own client families.
- The SCCS Medical and Dental Clinic services are no longer being directly provided by SCCS as service was transitioned to Akron Children's Hospital and various dental providers.

Current FTE levels have declined to 335 from approximately 385 four years ago. 2011 was the final year of the current collective bargaining agreement with Communication Workers of America Local 4546. A fact finding report resulted in an agreement that was accepted by both the Board of Trustees of SCCS and the membership of CWA Local 4546.

SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

Capital Assets

At December 31, 2011, SCCS had \$10,067,405 invested in capital assets as detailed in Table 3. There was a net \$407,865 or 3.9 percent decrease from December 31, 2010. The decrease was related entirely to depreciation expense of \$431,534. Construction in Progress increased \$23,669 for expenses related to building renovation for a Visitation Center.

Table 3
Capital Assets at Year End
(Net of Depreciation)

	2011	2010	Dollar Change	Percentage Change
Capital Assets:				
Land	\$1,288,532	\$1,288,532	\$0	0%
Land Improvements	55,991	60,700	(4,709)	(7.8%)
Buildings	8,447,941	8,831,090	(383,149)	(4.3%)
Machinery and Equipment	52,972	81,222	(28,250)	(34.8%)
Vehicles	23,242	38,668	(15,426)	(39.9%)
Construction in Progress	198,727	175,058	23,669	13.5%
Total Capital Assets at Year End	<u>\$10,067,405</u>	<u>\$10,475,270</u>	<u>(407,865)</u>	<u>(3.9%)</u>

See Note 7 for additional information on Capital Assets.

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

SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

Economic Factors

Summit County Children Services continues to receive strong support from the residents of Summit County. The SCCS relies heavily on its local property tax levy passed in 2007 for the six year period 2008-2013. The 2.25 mill levy generates \$27 million dollars per year and costs a homeowner with a residence of \$100,000, \$68.91 per year. Other federal and state revenue sources provide the additional support for SCCS services. Collections are hampered by the economic downturn resulting in high unemployment, increased foreclosure and delinquency rates, declining property values and the phase out of the tangible personal property tax.

Since the development of the six year levy plan and the levy passage a number of unanticipated changes have occurred. Among these are reductions of \$2.1 Million from the State of Ohio since 2009 and projected annually through 2013. The most significant was a 20% reduction in Child Protective Allocation from \$2.9 million in 2008 to the 2011 amount of \$2.1 million. On a positive note, the American Recovery and Reinvestment act resulted in a temporary increase in funding for the SCCS's care of Title IV-E eligible children in its custody. This funding was enacted retroactively to October 1, 2008 and continued through June 30, 2011.

A weak outlook in terms of future state funding could possibly worsen during the current state budget cycle for 2012-2013. The current levy expires at the end of 2013. In reviewing budget projections through the end of the current levy period, SCCS concluded that continuing at current spending levels and the reliance on the levy to offset State and other revenue cuts would require a request of the Summit County voters for an increase to the original millage of 2.25 mills. Such a request is considered a very high risk especially when considering overall economic conditions.

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, 264 South Arlington Street, Akron, OH 44306-1399.

Summit County Children Services
Summit County
Statement of Net Assets
December 31, 2011

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Equity in Pooled Cash, Cash Equivalents and Investment:	\$38,219,713
Cash and Cash Equivalents in Segregated Accounts	60,209
Segregated Investment Accounts	2,041,464
Receivables	
Taxes	25,925,258
Accounts	15,913
Accrued Interest	5,175
Due from Other Governments	6,520,015
Prepaid Items	142,787
Non-Current Assets:	
Non-Depreciable Capital Assets	1,487,259
Depreciable Capital Assets, Net	<u>8,580,146</u>
<i>Total Assets</i>	<u>82,997,939</u>
Liabilities	
Current Liabilities:	
Accounts Payable	1,942,924
Accrued Wages Payable	692,064
Due to Other Governments	110,817
Deferred Revenue - Taxes	22,623,270
Due to County Funds	272,757
Non-Current Liabilities:	
Compensated Absences Payable	<u>2,407,073</u>
<i>Total Liabilities</i>	<u>28,048,905</u>
Net Assets	
Invested in Capital Assets	10,067,405
Restricted	
Donated Funds	2,106,848
Unrestricted	<u>42,774,781</u>
<i>Total Net Assets</i>	<u><u>\$54,949,034</u></u>

See accompanying notes to the basic financial statements.

Summit County Children Services
Summit County
Statement of Activities
For the Year Ended December 31, 2011

Function / Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government				
Human Services	\$47,078,302	\$5,413,152	\$12,541,521	(\$29,123,629)
Donated Funds	103,488	0	66,358	(37,130)
<i>Total Governmental Activities</i>	<u>\$47,181,790</u>	<u>\$5,413,152</u>	<u>\$12,607,879</u>	<u>(29,160,759)</u>
General Revenues				
Property Taxes Levied for General Purposes				24,428,319
Grants and Entitlements Not Restricted				5,110,678
Investment Earnings				25,106
Miscellaneous				542,910
<i>Total General Revenues</i>				<u>30,107,013</u>
Change in Net Assets				946,254
Net Assets Beginning of Year				<u>54,002,780</u>
Net Assets End of Year				<u>\$54,949,034</u>

See accompanying notes to the basic financial statements.

Summit County Children Services
Summit County
Balance Sheet
Governmental Funds
December 31, 2011

	Major Fund General Fund	Non-Major Fund Donated Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash, Cash Equivalents and Investments	\$38,219,713	\$0	\$38,219,713
Cash and Cash Equivalents in Segregated Accounts	0	60,209	60,209
Segregated Investment Accounts	0	2,041,464	2,041,464
Receivables			
Taxes	25,925,258	0	25,925,258
Accounts	15,913	0	15,913
Accrued Interest	0	5,175	5,175
Due from Other Governments	6,520,015	0	6,520,015
Prepaid Items	142,787	0	142,787
<i>Total Assets</i>	<u>\$70,823,686</u>	<u>\$2,106,848</u>	<u>\$72,930,534</u>
Liabilities			
Accounts Payable	\$1,942,924	\$0	\$1,942,924
Accrued Wages Payable	692,064	0	692,064
Due to Other Governments	110,817	0	110,817
Deferred Revenue - Taxes	25,925,258	0	25,925,258
Deferred Revenue - Other	4,861,143	0	4,861,143
Due to County Funds	272,757	0	272,757
<i>Total Liabilities</i>	<u>33,804,963</u>	<u>0</u>	<u>33,804,963</u>
Fund Balances			
Nonspendable	142,787	0	142,787
Restricted	0	2,106,848	2,106,848
Assigned	4,892,730	0	4,892,730
Unassigned(Deficit)	31,983,206	0	31,983,206
<i>Total Fund Balances</i>	<u>37,018,723</u>	<u>2,106,848</u>	<u>39,125,571</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$70,823,686</u>	<u>\$2,106,848</u>	<u>\$72,930,534</u>

See accompanying notes to the basic financial statements.

Summit County Children Services
Summit County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2011

Total Governmental Funds Balances	\$39,125,571
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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	10,067,405
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Other long-term liabilities are not available to pay for the current period expenditures and therefore are deferred in the fund:

Taxes	3,301,988
Intergovernmental	<u>4,861,143</u>

Total	8,163,131
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds

Compensated Absences	<u>(2,407,073)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$54,949,034</u></u>
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See accompanying notes to the basic financial statements.

Summit County Children Services
Summit County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	Major Fund General Fund	Non-Major Fund Donated Funds	Total Governmental Funds
Revenues			
Property and Other Taxes	\$23,960,847	\$0	\$23,960,847
Charges for Services	5,413,152	0	5,413,152
Intergovernmental	19,689,464	0	19,689,464
Interest	0	25,106	25,106
Other	542,910	66,358	609,268
<i>Total Revenues</i>	<u>49,606,373</u>	<u>91,464</u>	<u>49,697,837</u>
Expenditures			
Human Services	46,800,672	103,488	46,904,160
<i>Total Expenditures</i>	<u>46,800,672</u>	<u>103,488</u>	<u>46,904,160</u>
<i>Net Change in Fund Balance</i>	2,805,701	(12,024)	2,793,677
<i>Fund Balance Beginning of Year</i>	<u>34,213,022</u>	<u>2,118,872</u>	<u>36,331,894</u>
<i>Fund Balance End of Year</i>	<u><u>\$37,018,723</u></u>	<u><u>\$2,106,848</u></u>	<u><u>\$39,125,571</u></u>

See accompanying notes to the basic financial statements.

Summit County Children Services
Summit County
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2011

Net Change in Fund Balances - Total Government Funds \$2,793,677

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 depreciation exceed capital outlays in the current period.

Fixed Asset Additions	23,669	
Current Year Depreciation	<u>(431,534)</u>	
Total		(407,865)

Revenues in the Statement of Activities that do no provide current financial resources are not reported as revenues in the funds:

Property Taxes	467,472	
Intergovernmental Revenue	<u>(2,037,264)</u>	
Total		(1,569,792)

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>130,234</u>
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Change in Net Assets of Governmental Activities \$946,254

See accompanying notes to the basic financial statements.

Summit County Children Services
Summit County
Statement of Revenues, Expenditures and Changes In Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 28,019,813	\$ 28,019,813	\$ 27,071,424	\$ (948,389)
Charges For Services	5,495,843	5,495,843	5,413,152	(82,691)
Intergovernmental	16,220,309	16,220,309	15,976,898	(243,411)
Other	552,257	552,257	542,909	(9,348)
<i>Total Revenues</i>	<u>50,288,222</u>	<u>50,288,222</u>	<u>49,004,383</u>	<u>(1,283,839)</u>
Expenditures				
Human Services	52,262,280	60,774,863	52,002,365	8,772,498
<i>Total Expenditures</i>	<u>52,262,280</u>	<u>60,774,863</u>	<u>52,002,365</u>	<u>8,772,498</u>
<i>Net Change in Fund Balance</i>	(1,974,058)	(10,486,641)	(2,997,982)	7,488,659
Fund Balance - Beginning	26,508,529	26,508,529	26,508,529	
Prior Year Encumbrance Appropriations	8,512,583	8,512,583	8,512,583	
<i>Fund Balance - Ending</i>	<u>\$ 33,047,054</u>	<u>\$ 24,534,471</u>	<u>\$ 32,023,130</u>	<u>\$ 7,488,659</u>

See accompanying notes to the basic financial statements

Summit County Children Services
Summit County
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2011

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents - Segregated Accounts	<u>\$86,118</u>
Total Assets	<u><u>\$86,118</u></u>
Liabilities	
Held in Trust for the Benefit of the Children	<u>\$86,118</u>
Total Liabilities	<u><u>\$86,118</u></u>

See accompanying notes to the basic financial statements.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 – REPORTING ENTITY

The Summit County 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 of SCCS is to excel in the investigation of reports of child abuse and neglect and in the delivery of culturally sensitive, collaborative protective services that provide children with a safe, nurturing and permanent home.

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 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.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011.

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 a general fund, a special revenue fund, and a fiduciary fund.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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 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, extra curricular activities and educational enhancement purposes.

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 and the 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 reconciliation, with brief explanations, to better identify the relationship between the government-wide statements and the statement for governmental funds.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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.

Non-exchange 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 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 non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: grants and interest.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, have been recorded as deferred revenue.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures

On the accrual basis of accounting, expenditures 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 a part of the General Fund and therefore are not required by the ORC to have an annual budget.

Each department and program director of SCCS assists in preparation of a budget request in conjunction with the Fiscal Department. The budget is reviewed and revised as necessary by the Executive Director and Executive Council and presented to the Resources Committee of the Board. The Resources Committee makes a recommendation to the Board of Trustees for approval. The 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 (if any), 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.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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 assigned 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	(\$2,997,982)
Net Adjustment for Revenue Accruals	(4,395,945)
Net Adjustment for Expenditure Accruals	(304,506)
Net Adjustment for Encumbrances	4,892,732
GAAP Basis	\$2,805,701

F. Cash, Cash Equivalents and Investments

Except for the Donated Funds and the Children Savings Funds, all moneys of SCCS are 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, 2011. 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.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Prepaid Items

Payments to vendors for services that will benefit periods beyond December 31, 2011, 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. Capital 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 capital 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). The SCCS maintains a capitalization threshold of five-thousand dollars.

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 Net Assets. For assets listed as “Depreciable”, depreciation is estimated and expensed on the Statement of Activities. 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	5 years

Depreciation is based on the pro-rata half year convention which assumes that capital 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.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

However, compensated absences 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. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," SCCS classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the SCCS Board of Trustees. Those committed amounts cannot be used for any other purpose unless the SCCS Board of Trustees removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by SCCS for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of SCCS.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation.

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.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 – CHANGE IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2011, SCCS has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *“Fund Balance Reporting and Governmental Fund Type Definitions”* and GASB Statement No. 59, *“Financial Instruments Omnibus.”*

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of SCCS.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 – CASH, CASH EQUIVALENTS 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 paid or withdrawn 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.

Interim deposits are deposits of interim monies. Interim monies 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.

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 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;

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

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 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 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 \$38,219,713 as of December 31, 2011. 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, 2011.

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, 2011, the carrying amount of all SCCS deposits was \$146,327. All of the SCCS's bank balance of \$149,983 was covered by the Federal Insurance Corporation.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

B. Investments

As of December 31, 2011, SCCS had the following investments and maturities:

Investment Type	Balance at Fair Value	Investment Maturities	
		Less than 1 Year	1 to 5 Years
U.S. Agencies	\$237,075	\$118,255	\$118,820
Money Market	1,036,791	1,036,791	0
U.S. Treasury Bills	100,000	100,000	0
U.S. Treasury Bonds	63,300	0	63,300
U.S. Treasury Notes	604,298	15,395	588,903
Total	<u>\$2,041,464</u>	<u>\$1,270,441</u>	<u>\$771,023</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, 2011 the money market funds were rated AAA/Stable/A-1+ by Standard & Poor's.

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, 2011.

Investment Type	Fair Value	% of Total Value
U.S. Agencies	\$237,075	11.61%
Money Market Funds	1,036,791	50.79%
U.S. Treasury Bills	100,000	4.90%
U.S. Treasury Bonds	63,300	3.10%
U.S. Treasury Notes	604,298	29.60%
Total	<u>\$2,041,464</u>	<u>100.00%</u>

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

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, 2011.

<u>Cash and Investments per Footnote</u>	
Carry Amount of Deposits	
County Cash Records	\$38,219,713
Carrying Amount of SCCS	146,327
Total Carrying Amount of Deposits	<u>38,366,040</u>
Investments	2,041,464
Total	<u>\$40,407,504</u>
<u>Cash and Investments per Statement of Net Assets</u>	
Governmental Activities	\$40,321,386
Agency Funds	86,118
Total	<u>\$40,407,504</u>

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. 2010 real property taxes were levied after October 1, 2010 on the assessed value as of January 1, 2011, the lien date, and were collected in 2011. Assessed values are established by State Law at 35 percent of appraised market value. Public utility property taxes received in 2011 attached as a lien on December 31, 2009, were levied after October 1, 2010, and were collected with real property taxes.

In tax year 2010, collection year 2011, there was no tangible personal property tax value listed in Summit County due to the personal property tax phase out initiated by the State of Ohio. The assessed value upon which the 2010 taxes were collected was \$11,410,394,940. The full tax rate for all County operations applied to taxable property for fiscal year ended December 31, 2010, was \$12.70 per \$1,000 of assessed valuation, of which \$2.25 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.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 – PROPERTY TAX REVENUES (continued)

Tangible personal property tax is being phased out. This percentage was reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 29.

House Bill No. 66 was signed into law June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad will be eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost due to the phasing out of the tax. In calendar years 2006-2010, there will be full reimbursement for the lost revenue. In calendar years 2011-2017, the reimbursement will be phased out. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County Fiscal Officer collects property taxes on behalf of all taxing districts within the County. The County Fiscal Officer – Auditor's Division 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, 2011. 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 2011 operations, the receivable is offset by a credit to deferred revenues.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 6 – RECEIVABLES

Receivables at December 31, 2011, 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. A listing of due from other governments is as follows:

Source of Funds	Amounts
Title IV-E Administration	\$3,283,088
State of Ohio Homestead Rollback	1,525,060
Title IV-E	1,029,316
Title IV-B	210,660
PASSS	131,579
Independent Living	38,729
Training Title XX	91,055
ESAA	107,031
Kinship Incentive	34,225
Other	69,272
	<hr/>
Total	<u><u>\$6,520,015</u></u>

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SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 is as follows:

	Balance 12/31/2010	Additions	Disposals	Balance 12/31/2011
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$1,288,532	\$0	\$0	\$1,288,532
Construction in Progress	175,058	23,669	0	198,727
Total Capital Assets, Not Being Depreciated	<u>1,463,590</u>	<u>23,669</u>	<u>0</u>	<u>1,487,259</u>
Capital Assets, Being Depreciated				
Land Improvements	70,638	0	0	70,638
Buildings	14,469,553	0	0	14,469,553
Machinery and Equipment	452,383	0	0	452,383
Vehicles	194,716	0	0	194,716
Total Capital Assets, Being Depreciated	<u>15,187,290</u>	<u>0</u>	<u>0</u>	<u>15,187,290</u>
Less: Accumulated Depreciation				
Land Improvements	(9,938)	(4,709)	0	(14,647)
Buildings	(5,638,463)	(383,149)	0	(6,021,612)
Machinery and Equipment	(371,161)	(28,250)	0	(399,411)
Vehicles	(156,048)	(15,426)	0	(171,474)
Total Accumulated Depreciation	<u>(6,175,610)</u>	<u>(431,534)</u>	<u>0</u>	<u>(6,607,144)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,011,680</u>	<u>(431,534)</u>	<u>0</u>	<u>8,580,146</u>
Governmental Activities Capital Assets, Net	<u>\$10,475,270</u>	<u>(\$407,865)</u>	<u>\$0</u>	<u>\$10,067,405</u>

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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.
3. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension 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. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to: Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 1-614-222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, 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.

SCCS employees are required to contribute 10.00 percent of their annual covered salary to fund pension benefit obligations. SCCS is required to contribute 14.00 percent. SCCS's contributions to the OPERS for the years ending December 31, 2011, 2010 and 2009 were \$2,555,227 \$2,695,798 and \$2,788,802 respectively. The full amount has been contributed for 2008 and 2009. 96.2 percent has been contributed for 2011.

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.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment coverage.

In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio Service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-6601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.00% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2011, the portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Retirement Board is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

SCCS’s contributions to fund post-employment benefits were, for the year ending December 31, 2011, \$937,000.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

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 for bargaining unit employees and 720 for employees classified as management and confidential. Social Workers, Home Finding Recruiter, and registered nurses can also earn compensatory time up to a maximum of 80 hours. All other bargaining unit employees may elect to earn compensatory time in lieu of overtime. Members of management can earn exchange time up to a maximum of 40 hours. Upon termination of employment with SCCS, Social Workers, Home Finding Recruiter, 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.

The entire compensated absences liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is that amount expected to be paid using expendable available financial resources, and is reported in the general fund. The non-current portion of the liability is not reported.

Changes in compensated absences during 2011 were as follows:

Balance			Balance	Amount Due
<u>1/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2011</u>	<u>In One Year</u>
\$2,537,307	\$1,892,002	(\$2,022,236)	\$2,407,073	\$0

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 11 – OTHER EMPLOYEE BENEFITS

SCCS offers 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 several programs of coverage offered by the county. 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.

A flexible spending program for medical and dependent care 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 PAYABLES

As of December 31, 201, inter-county payables resulting from unpaid charges for services with other departments of the County of Summit were as follows:

<u>General Fund</u>	<u>Payable</u>
Workers' Compensation	\$265,597
Summit County	7,160
Total	<u>\$272,757</u>

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. 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.

**SUMMIT COUNTY CHILDREN SERVICES
SUMMIT COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 14 – CONTINGENCIES

SCCS is subject to a litigation/claim matter regarding an adverse ruling by the State Personnel Review Board relative to several job abolishments. The ruling was appealed to a common pleas court and upheld in May 2011. An appeal to the Ohio Supreme Court was denied. A mandamus action has been filed by 2 plaintiffs seeking back pay, benefits and interest. Plaintiff earnings since the start of this litigation must be factored into a loss estimate and are unknown as of the opinion date. Discovery is proceeding and SCCS intends to vigorously defend against the claims. Based on the unknown factors, an estimated liability is unable to be reasonably calculated and accordingly was not recorded on the financial statements. SCCS is subject to other claims and litigation as of December 31, 2011, but in the opinion of management, any such claims and lawsuits will not have a material effect on the overall financial position.

NOTE 15 – LEASES

SCCS has two equipment lease arrangements (both under a five-year agreement). Total expense on these leases for 2011 was \$59,716.

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

2012	\$55,096
2013	50,006
2014	4,021

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, 2011, SCCS's commitment to adoptive parents was \$6,021,964 for 1,043 children. Of this amount, \$875,779 is payable in 2011. No long-term liability has been recognized in SCCS's financial statements.

June 18, 2012

To the Board of Trustees
Summit County Children Services
264 South Arlington Street
Akron, Ohio 44306

**INDEPENDENT AUDITOR'S 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**

We have audited the financial statements of Summit County Children Services (SCCS) as of and for the year ended December 31, 2011 and have issued our report thereon dated June 18, 2012. 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

Management of SCCS is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered SCCS' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SCCS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SCCS' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCCS' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

This report is intended solely for the information and use of management, the Board of Trustees, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

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Dave Yost • Auditor of State

SUMMIT COUNTY CHILDREN SERVICES

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
OCTOBER 02, 2012